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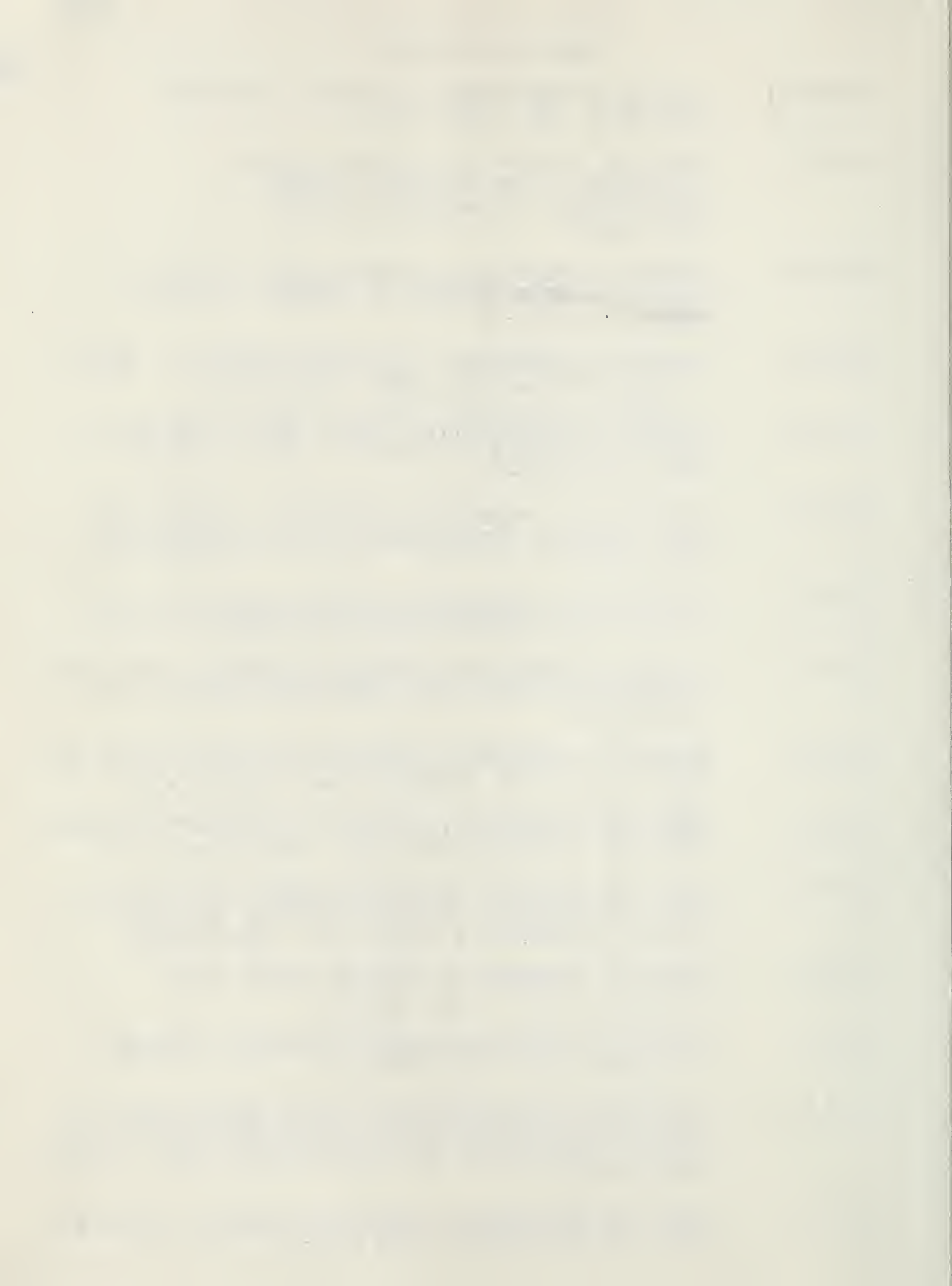
U.S. DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
ADDRESSES, STATEMENTS AND REMARKS
BY THE SECRETARY
EARL L. BUTZ

1973



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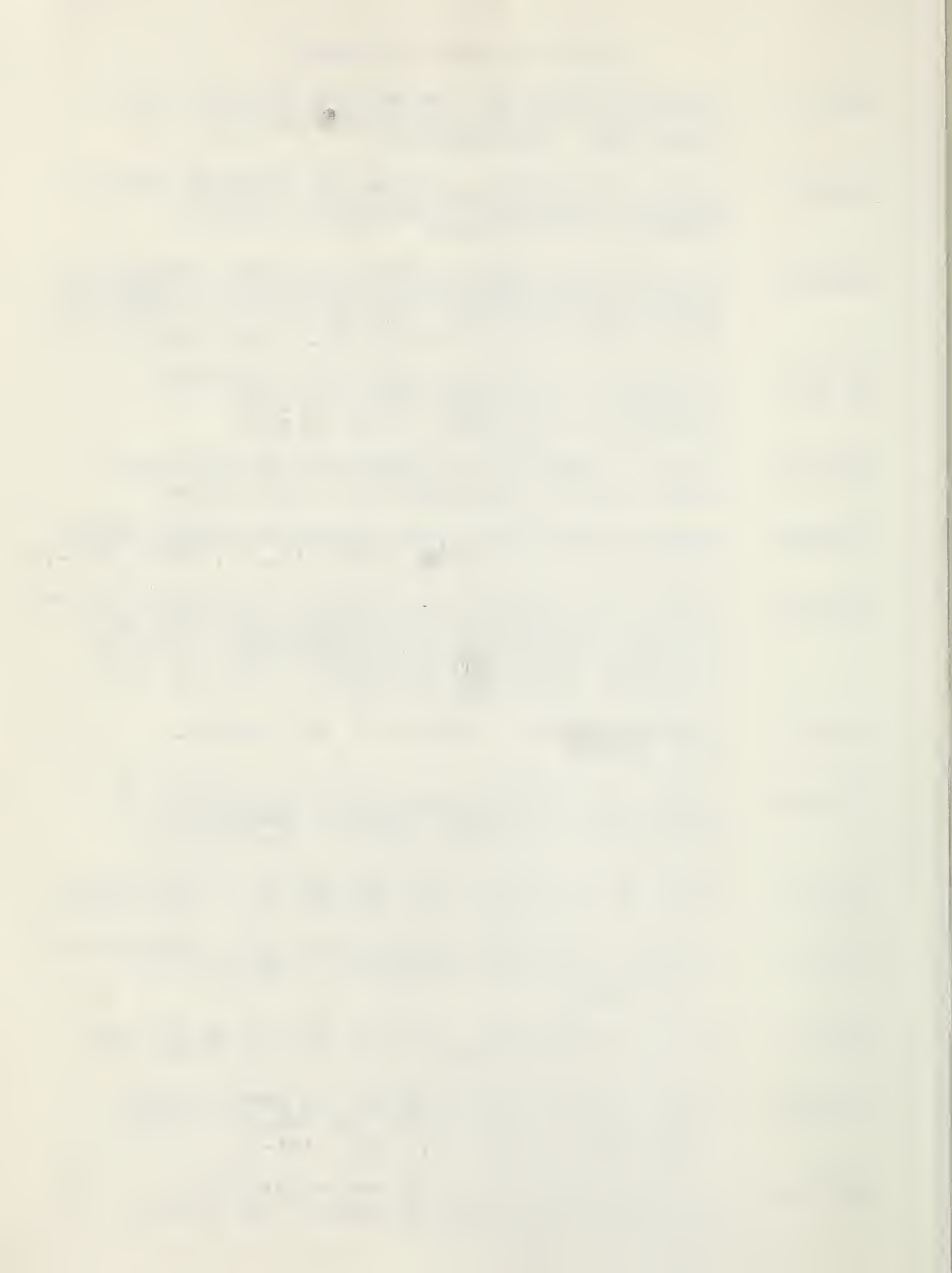
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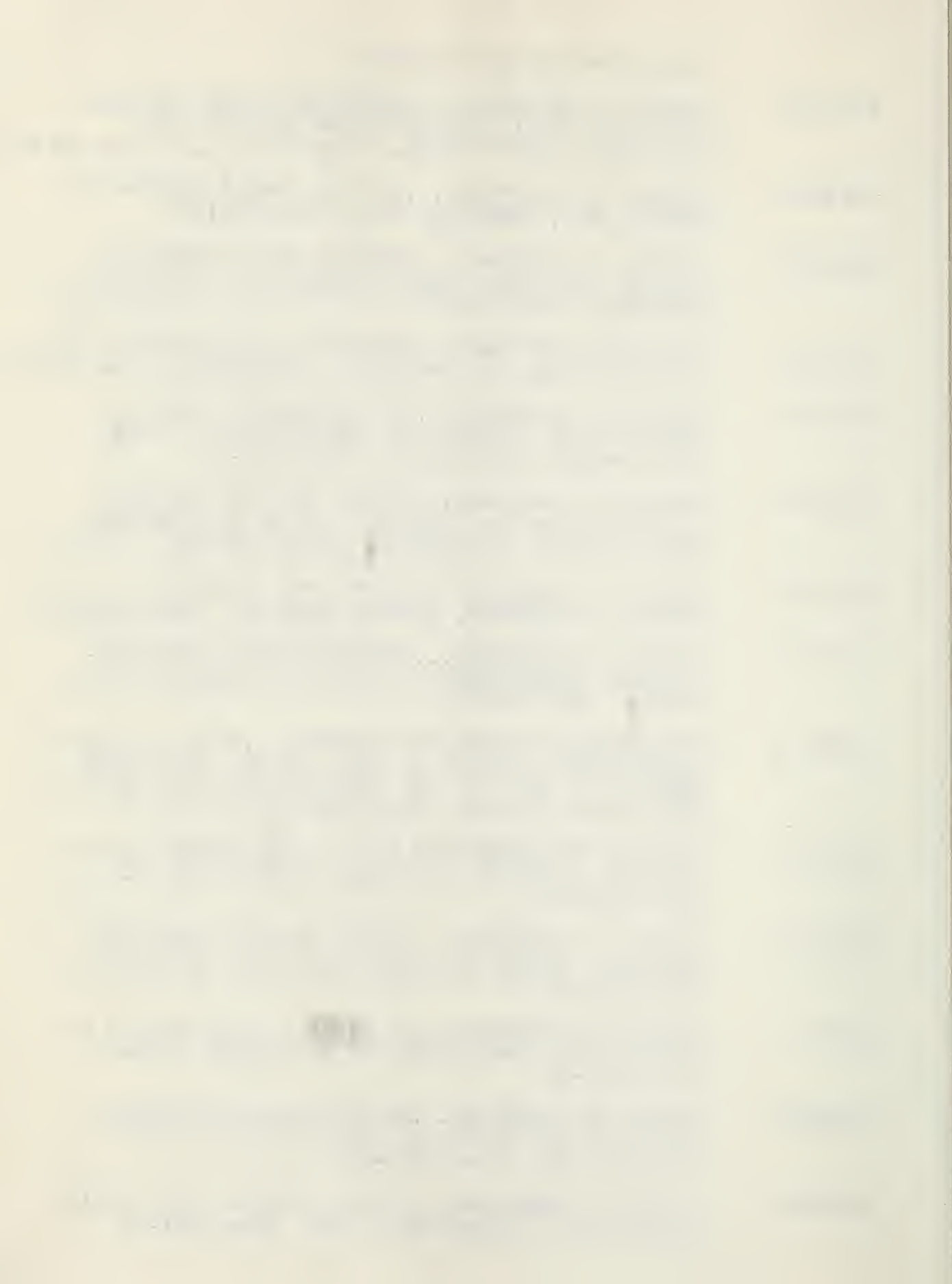
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LET'S BE SURE WE CHASE THE RIGHT RABBIT

Farmers are playing a key part in a dramatic turn-around of our national economy. America has made positive headway in one of the most difficult transitions ever undertaken--the change from the defense-oriented economy of the 1960's to a prosperity founded on a far healthier base of peacetime activity. Our entire Nation--including our great agricultural community--can look to the future with optimism and confidence as the result of the achievements of the past four years.

Even though the transition is not finished, once again the United States is experiencing one of the highest rates of economic growth of any nation on earth. The President is committed to continuing this progress during the next four years. He is determined not to allow excessive Federal spending to erode the gains that have been made, or to block the way toward a full and stable prosperity.

This will be no easy task, because for the last two decades or more, the country has moved progressively into a high-cost atmosphere. As a columnist commented in the press the other day, lots of people are being troubled not so much by the high cost of living but by the cost of high living. One paramount reason why the Nation can take this high-cost situation in stride is food abundance. It can't be repeated too often that Americans are spending less take-home pay for food than at any time in the country's history, and less than anywhere else in the world. That record accomplishment includes not only food consumed at home, but meals in restaurants and institutions where service costs keep going up.

Remarks by Secretary of Agriculture Earl L. Butts at Purdue Fish Fry,
Lafayette, Indiana, January 12, 1973, 7 P.M. EST

To keep the forward momentum going--in agriculture and throughout the economy--is going to require hard work, some belt-tightening in the continued battle against inflation, and an honest facing of the facts with regard to food prices and an ample food supply.

Without high production from the farms of America, we could not have the benefit of the world's best bargain in food. Without the production achievements of American agriculture, we could not make good on the President's pledge to banish poverty-caused hunger from this land for all time. I am proud to be working with farmers who understand that if you would have more, you must produce more.

Compared with any other sector of the economy, farmers deserve grade A marks for their productivity. In recent years their rate of output has increased two and a half times faster than productivity in manufacturing industries. During the year just ended, farm production broke another all-time record. Gross receipts from farm marketings, amounting to \$64 billion, were \$5.5 billion above 1971. In the past 20 years--two decades of mighty lean earnings for farmers--cattle producers doubled the per capita supply of beef and improved its quality at the same time. Yes, farmers rate "A" for their production efforts.

Even more significantly, farmers get an A-plus for their efficiency. Two decades ago--in 1950 to be exact--one farmer produced enough, on the average, to meet the food needs of 16 consumers. Today, a single farmer produces the food for at least 51 consumers--an almost unbelievable record of progress, the result of increased management skills, improved technology, and effective use of resources. This is extremely important to the U.S. economy, because increased efficiency--in agriculture or any other sector--is the best antidote for inflation.

Today there is a continuing tide of criticism of food prices. That tide will rise, until common sense prevails. Everybody is looking for a culprit.

Let's examine the facts. Farmers are receiving about 40 cents of the food dollar. That figure has gone up modestly, around a penny from last year; but it is well in line with the average over a long period of time, and much less than the 50 cents share of the consumer food dollar which farmers shared 20 years ago.

We are chasing the wrong rabbit when we criticize those who get the 40 percent of the consumer's dollar. We ought to be going after the 60 percenters--and they keep running ahead.

In all fairness, we should recognize that part of the 60 percent represents costs for bona fide services that Mrs. Housewife wants. She wants convenience foods that save work in the kitchen; she's glad to have fresh year-round specialties; she likes space to park and the comfort of air-conditioning at the supermarket; and she enjoys going out for dinner. Let's acknowledge also that the 60 percent covers added costs for sanitation, pollution-control measures, and occupational safeguards which modern society demands and imposes by law.

It's equally important to recognize, nevertheless, that the 60 percent area includes a shameful performance record for efficiency. This is particularly the case in food distribution. Frequently the man who drives the bread delivery truck must put the bread on the shelf--not a lower-wage stockboy. In big cities, the man who drives the milk truck must put the milk in the display case--not a lower-priced stockboy. Had efficiency in food distribution improved only half as much as wages and employee benefits have gone up, we'd be hearing much less about consumer food costs.

Some of the loudest complainers, incidentally, are in families where the wage earner is part of the food distribution system. More than 4 million people work in wholesaling, retailing, transportation, and serving of food--roughly 5 percent of the country's gainfully employed. How much better off we all would be if their record only began to approximate the performance of farmers--the less than 5 percent of the population who produce our food!

One reason why food doesn't cost more is because farmers have passed the benefits of their efficiency to consumers. In 1950, farm production costs amounted to a total of \$19.4 billion. That outlay rose to a whopping \$44 billion in 1971, the latest year for which we have complete figures. If the farmer had passed this increase along, and had been less efficient, consumers would have paid far more for food in 1971: \$1.37 a dozen for grade A eggs, for example, instead of the 53 cents which was the average price for that year; \$1.35 a pound for chicken instead of 41 cents; \$1.69 a pound for Choice beef instead of \$1.04; and 44 cents a quart of milk instead of 30.

The battle lines are shaping up in the controversy over food prices, but let's be sure we don't chase the wrong rabbit. Let's get both out of the hole and chase the one with the hair on it!

Food is the first law of life, and farmers will help hold down the cost of food. Our basic goals in society are to feed people--and farmers have done it; to feed people better--and farmers have done it; and now, to feed people more efficiently--and farmers are doing that.

Those of us whose job is to help agriculture fulfill its missions are doing our utmost to achieve increased food production based on sound farm prices and lively market demand. A forward-moving, expanding, market-oriented agricultural economy offers consumers the best assurance of ample food at reasonable prices.

This year we are increasing production acreage--several million acres will be called back into use to produce more grain and soybeans. We are clearing out the CCC bins. Our USDA programs will zero in on ways for farmers to produce more and earn more--to derive greater income from the marketplaces of this Nation and the world. Farmers will accomplish this mainly through producing more for the growing market both at home and abroad.

As farmers do this with continuing emphasis on efficiency, the share of take-home pay which U.S. consumers spend for food will always be the lowest in the entire world.

The Department of Agriculture, along with the agricultural colleges, farm organizations, and industrial enterprises serving farmers--this great agricultural community pledges anew that, every year, Americans will be better fed, and fed more economically.

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USDA 90-73

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THE QUEST FOR BALANCE

We are living in a time when pressures are being put on you in the food industry and on us in Government--price pressures, food quality pressures, environmental pressures. You share many of the problems and opportunities that we have in USDA. That's why I can talk with some feeling about the situation we confront.

We face pretty much the same kinds of criticism and lack of understanding. We are going through the same wringer together. It will take plenty of hard work and cooperation by all of us together to find proper solutions--to prevent distorted pressures from throwing our food production machine out of balance.

Along with the problems, you also share our USDA objectives. In simplest terms, our policy aims to help people eat better, feel better, and live better. I know those are your goals, too. How well we achieve them depends a great deal on another essential objective--a good income level for farmers, at least on par with other sectors of the economy.

The best way to assure consumers ample food at acceptable prices is to have a food production system spurred by profit incentives. Agriculture and the food industry are no different in that regard than the transportation industry, the housing industry, the health industry, the newspaper industry, and all the others whose increases in prices to consumers have far outdistanced the rise in food prices over the past 20 years.

Address by Secretary of Agriculture Earl L. Butz at 66th annual convention of the National Cannery Association, San Francisco, Calif., at noon, Jan. 26, 1973.

My additional assignments as a Presidential Counsellor will include broad responsibilities in the areas of agriculture, natural resources, energy, and the environment. Our task will be to try to bring changes into better balance--hopefully to reduce some of the pressures. I will need your help--all the help you can give. That's why I welcome the opportunity this morning to comment on the problems that exist and the efforts we are making.

We are going to blunt the impact of higher food prices.

There's still a great deal of confusion in the public mind and in the popular press as to the difference between farm prices and retail food prices. When the wholesale price index for December 15 came out and indicated a jump in farm prices of approximately 6 percent, it triggered headlines and editorials--even though the farm price figures includes such things as hay, for example, of which we don't eat a great deal, and feed grains and similar items.

Nonetheless, food prices are up. They reflect, partly, a bad harvest season--including a bad season in the areas where we grow our fresh fruits and vegetables. They reflect, as well, the American public's vast appetite for red meat--the bidding that goes on among consumers and restaurants for the best cuts, keeping an upward pressure on the price of beef. In part, higher food prices also reflect our genuine effort to improve farm income, which continues to be one of our goals. The President's goal and my goal has been to increase farm income from the marketplace. It's plain wrong for consumers to expect farm food producers to work for 20 percent less than the rest of the population.

We are moving in several ways to assure the consuming public that ample supplies of food are available. All quotas on meat imports from abroad have been lifted for 1973. Payments to encourage exports of broiler chickens and flour were ended to make more of these foods available in this country. We are clearing out Government grain stocks to make more feed available in the short-run for livestock and poultry.

We are making it possible for 12 million idle feed grain acres to come back into production. By ending the mandatory set-aside for wheat, we are opening up 15 million acres more for feed grain and soybean production, as well as for grazing to increase the number of beef cows and, eventually, the supply of beef.

The net effect is to assure the public that these actions will relieve the food price pressures, by making ample supplies available. In 1972, food prices started creeping up from a rather low level and rose about 4 to 4.5 percent. However, food cost as a percent of consumer's spendable income continued to decrease. It is commendable, also, that the rate of increase in processed food prices was less than the increase in the overall price of food last year.

We can expect to see declines in the prices of some foods by the end of the year. I know that won't be soon enough for many consumers--I have an awful time trying to explain to New York housewives that you can't get a 2-year old steer in much less time than 24 months.

We have determined that there will be adequate supplies of feed grains and wheat without undue surplus, which plagued us over past years and ran up costs to taxpayers for payments to farmers, storage expense, export payments, and the like. We are putting special emphasis on increased soybean output because soybeans are major ingredients of meat, milk, and eggs. But our goal remains to increase farm income.

Public policy impedes the farm production effort.

With all the clamor over food prices and the growing demand for meat, it's ironic that public policy puts obstacles in the way of farmers' and ranchers' efforts to increase output. The body politic decided that we won't use stilbestrol in animal feed, for example. Pressures are being exerted to restrict the use of formulations that keep animals healthy and speed their growth. Farmers are criticized for using herbicides, pesticides, and nutrients essential for bountiful crop production.

If this trend continues, it will only lead to lower efficiency on farms and higher food costs. The inevitable result will be a net decrease in efficiency; and added costs will have to be built into the retail food price to maintain the volume of food production required by a growing Nation.

We should seek an optimum balance in the risk-benefit-ratio. If we were forced to revert to farming methods of 50 years ago, if we had to abandon these vital modern production tools, few of us would have meat and chicken to eat--and few could afford to pay the food bill. On top of that, there are those--including scientists--who dwell unduly on the safety issue with regard to the use of DES and antibiotics. If they have their way--if they make us absolutely safe--the time could come when we won't eat meat.

The only reason we can sustain 210 million people in this country with a high-protein diet is that we have modified the environment. Without harming it, or endangering animal species, including our own, we must modify the environment to our use, with full awareness of the level of risks involved.

If I become ill, I go to my physician. He prescribes medicines for me, and they may be highly poisonous. He says, now if you follow these rules, I think you will get better. I do follow his rules, but there's some risk involved--he's not quite sure that I'll not have a toxic reaction to some of his prescriptions. We go through life taking risks--even when we cross the street, drive down the road, step into the bathtub, jog, or climb a ladder.

Whether we are talking about ample food supplies, food qualities, or the energy crisis that America faces, our never-ending quest must be for reasonable balance in the cost-benefit-risk ratio of the decisions we make. The fundamental question is: How safe do we want to be? The Nation is continually seeking an answer, and at whatever point the decision rests at the moment, the dollar cost and the risk will need to be taken into full account. In the meantime, the body politic has made one determination--that DES in feed will be banned; and that, like all such decisions, has a dollar cost that people should understand in the midst of their clamor over food prices.

American agriculture is geared to produce more crops than we can sell at reasonable returns to farmers.

As a result of our favorable climate, land resources, and advanced technology, we have unequaled capacity in this country for super-production of major commodities such as wheat, feed grain, soybeans, and cotton. This year we intend to maintain the drive for a high export volume--by June we expect to reach the annual export goal of \$10 billion set by the President. Obviously this will be good for American producers and for foreign consumers. It will benefit our foreign exchange situation and strengthen the American dollar. The increase in exports will generate healthy activity in many sectors of the American economy. It will help move us along the road to peaceful relationships with other major nations.

The emphasis on exports will also be good for the producers of fruits and vegetables that the canning industry needs. Without lively, expanding exports in feed grains, soybeans and other major commodities, producers will be inclined to get into the production of fruits and vegetables, with resulting disruptive pressures for you. You cannot have a strong farm production industry with emphasis on quality and innovative techniques if that productive economy is depressed.

While on the subject of exports, I wish to commend you--those of you in California particularly--on your success in improving the quality of such products as canned peaches and fruit cocktail, to achieve good sales in the European and Japanese markets. I understand you have made progress also in working out more favorable transportation rates to improve your competitive position in overseas markets. I am pleased that USDA people are helping with export incentives and promotional activities. The experts at the Department of Agriculture are forecasting an all-time high dollar value of horticultural exports this year.

We must strive for a dynamic agricultural economy.

Markets are expanding abroad--and we can fill those growing demands because of our tremendous productivity and efficiency. The same is true here at home. The best antidote for inflation is to have adequate total productivity and high individual productivity. Our farmers have a marvelous record in both respects.

As efforts so well exemplified by farmers continue, and as Phase III controls tend to hold back the inflationary spiral, the pressures we now endure will begin to subside.

I have emphasized on several occasions lately that when people attack farmers on food prices, they are chasing the wrong rabbit. The farmer gets less than 40 cents of the consumer's food dollar.

The other rabbit--the 60 cent rabbit--is the area where we should root out inefficiencies. The canning industry's record is outstanding for technological progress, automation, and high productivity. But there are built-in cost rigidities and inefficiencies in much of the food distribution system, and that's the rabbit we should be chasing.

The National Commission on Productivity presents a strong case for improved productivity along the entire length of the food system. The Commission cites several instances of opportunities for productivity improvement which food processors and handlers cannot afford to ignore.

Is it necessary, for example, for a simple food like an orange to be handled 17 separate times on its way from the tree to the table? Why are apples packed in 40 different shapes and sizes of containers, none of which fit the standard grocery shipping pallets?

In 1950, rail deliveries of lettuce from Arizona to Philadelphia were guaranteed delivery in six days. Similar shipments in 1971 took 9 to 11 days. That is a clear symptom of the fact that as wages have increased in transportation and food distribution, efficiency has declined.

Something needs to be done about correcting inefficiencies that stem from labor-restrictive practices. For example, in Chicago you can't buy meat after 6 P.M., and in many cities the bread truck driver must load the store shelves instead of letting a lower-cost stockboy do it.

Canners are distributors as well as processors, and you should do your utmost to cut distribution expense. It's important to you, because if your efficiency as an industry is not tops, all along the line, or if you are unable to convince the public of that fact, pressures for some kind of food price controls will heighten.

We're all in this together. We all have a responsibility, moreover, to make Mrs. Consumer understand that' far worse than high food prices are empty food counters. She has her choice: to pay prices that bring farmers and processors an adequate return, or to face the prospect of empty food counters.

The past 20 years of growing affluence and rising pay levels for most Americans have taught a lesson that's only now becoming clear to many people: The good old days of 50-cent steaks, 17-cent gasoline, and cars for less than \$1,000 are gone. You can't have both--high wages and low prices.

For the longer range, we can be optimistic about the prospects for agriculture and the canning industry.

We in the Department of Agriculture have a full realization of the unique relationship that exists between those who produce the Nation's fruit and vegetable crops and you who process those commodities into convenient, wholesome, year-round food.

It is in the common interest of farmers, canners, and consumers--all three--that we have an ample food supply, and our food price system must serve that need.

In order to have adequate supplies of fruits and vegetables, your industry must be in a position to be able to contract with farmers so that they are compensated adequately, to enable them to meet their rising costs.

Not only as Secretary of Agriculture, but as a Presidential Counsellor and member of the Cost of Living Council, my assignments give me the responsibility to represent the food industry, canners included. We are aware of the tight situation you are in with respect to your profit base period and additional costs imposed by environmental, occupational safety, new labeling procedures, and food quality improvement programs. We will work to bring an understanding of these problems into the decision-making process.

We have in America a growing market, in terms of people and rising real income. We face the prospects of sustained and expanding agricultural exports--real growth prospects for our total agricultural community. All elements in agriculture will stand to gain--and with perseverance, confidence in the future, and a resolve to maintain a sense of balance, our whole Nation will reap new benefits from the progress of the coming years.

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Advance for Release at 6:30 A.M. EST, Friday, Jan. 26, 1973

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COTTON POLICY AND COTTON'S PROGRESS

The months ahead will be critical for cotton. As we develop new legislation and programs for cotton beyond 1973--we all need to try to see as clearly as we can where cotton is headed, and the course your industry should take.

This is a time for major elements of the cotton industry to pull together. It is not in anyone's interest for individuals to operate on the philosophy of cashing in today because there will be no tomorrow.

Some people of influence are wondering whether cotton's days are numbered. Not so!

Cotton is a superb and essential fiber, with special natural characteristics that no plastic or man-made material can duplicate, despite all the research that chemical manufacturers have poured into their products. The people of America will always need a reliable, ample, home-grown supply of cotton. Should the day ever come when we have to be dependent on foreign producers and the unpredictable decisions of foreign governments for our cotton requirements, that will be a sad day indeed.

Moreover, a growing world will need American cotton for much of its clothing and shelter. It is here in America that this splendid fiber has undergone its greatest improvement as a result of a long history of cooperative effort among seed men, growers, ginner, shippers, spinners, and merchants. The Department of Agriculture, the States and Land Grant institutions, and the National Cotton Council have a proud record of achieving better cotton quality, higher yields, and additional uses for cotton--gains that are contributing to mankind's benefit the world over.

Address by Secretary of Agriculture Earl L. Butz before annual meeting of National Cotton Council of America, El Paso, Texas, at 11 A.M. MST, January 29, 1973.

To be sure, cotton has a number of problems. We are all aware that competing fibers have pre-empted half of the market you once had. This was largely the result of price competition. The Number One objective must be to make cotton competitive price-wise. Your customers are being driven up the wall--and into the arms of your competition--by the recurrent peaks and valleys in cotton price and the changing availability of the supplies of quality American cotton.

Also, during the very time that cotton production was increasing in many parts of the world, America let its export market for cotton slip away. The old two-price system invited foreign competition. We must intensify our efforts to recapture lost export markets. Substantial progress is being made in that regard by such organizations as Cotton Council International and the International Institute for Cotton, with solid support from USDA.

Unified action will be needed to obtain new cotton legislation.

Not only is it essential that we in the cotton industry get a fix on reasonable goals for the future--and a mutual determination to move together toward those goals--but also it will be critically important that we work closely with Congress to develop the cotton section of the new farm bill.

Farmers in general, and cotton growers in particular, seem quite pleased with the Agricultural Act of 1970. They approve the way it opened up opportunities to earn increased farm income, provided greater decision-making freedom for farmers, and increased our leverage to expand farm exports.

There will be problems with the new legislation, and we'll have to meet them head-on. We'll have to do so against a background of an urban-oriented Congress and an economy-minded Administration. The President means business when he insists that the Government operate within cost bounds. I believe that, too; and I think you do. I think you want economy in government.

Payments limitation will be one of the first questions to tackle. No matter how you or I feel about limiting payments to a cotton grower because of his size, political reality is on the side of further limits on payments. We will have to negotiate in this area. If you buy production adjustment, you try to buy it where it is; that's the economics of it. But there is a political side, too.

The question may well be, how does your industry adapt? Limits on high payments generate pressures to go to lower limits. As that happens, you risk breaking production units into smaller, less economic operations--and the inevitable result when this is carried too far is that consumers lose the advantage of efficient production, and large producers may be forced out of the program, thus reducing its effectiveness.

The political tide is running against the adjustment program concept.

It could be that time is running out on adjustment as we have known it in the past. With a lower level of payments, or a decreasing scale of payments per pound, the cotton industry would gradually move closer to a free market situation.

Meantime, we intend to keep focusing the thrust of farm policy toward expanding markets, toward greater opportunities for farmers to gain profits from the marketplace of this country and abroad, toward bringing more acres into profitable production, and toward reducing farmers' dependence on Government for their income.

In November we announced the lowering of the cotton payments base from 11.5 million acres to 10 million acres. Headlines promptly blossomed out in many parts of the country. They said farmers would lose \$100 million in payments. Editorials and statements charged that the Administration was out to drive farm income down.

You know what happened. The market responded. The price of cotton rose quickly. Within a week, the price went up 3 cents a pound--now it is up 6 cents. That's \$30 a bale greater returns from the market, which multiplied by 12 million bales annual production equals \$360 million additional income for farmers.

On top of that, the cotton set-aside requirement was lifted. Cotton farmers can gain additional income by using acreage to plant soybeans, sorghum, corn and other commodities that are in demand. Not all of the 6-cent cotton price increase resulted from these actions--there were other factors, to be sure--but the chief impetus came from the fact that instead of simply growing cotton for the loan, farmers are producing a commodity that the market is bidding for. It's good to get into a spot where the market bids for your product.

Government spending on farm programs must focus on improving farmers' earnings from markets.

We want to make every program dollar count. We intend to give priority to programs that earn real profits for farmers. As farmers increase their income from commercial marketings, they no longer need to rely as much on Uncle Sam for their income. Heavy reliance on payments in these times of a consumer-minded, urban-oriented Congress would be disastrous.

The President is determined to hold Government expenditures in check. I think farmers have a genuine interest in this, for if anybody has been hurt by inflation and rising prices, it has been farmers--and one of the chief fuels that fires inflation is an unbalanced budget. We need to curtail Governmental spending, and agriculture must take its share of the cuts.

Let's take an honest look at the recent reductions in agricultural spending:

The Rural Environmental Assistance Program--REAP, which began in the 1930's as the Agricultural Conservation Program--has been terminated. The cost-share incentive is no longer needed as in earlier years. Actually, only about 20 percent of the total farms in the United States have been participating in this program; the average annual payment per participant is \$239. REAP and the old ACP served a useful purpose in demonstrating the value of conservation as a good farming practice--but draining, irrigation, liming and other such practices pay for themselves these days in increased production and land values.

Local conservation needs can also be met through Revenue Sharing funds now available to the States, another reason why REAP and the Water Bank Program for preservation of wetlands wildlife could be terminated. Yet when we stopped the REAP program, some people made it sound like the roof had caved in.

The noise they made, however, was nothing compared with the howl that went up when we changed the REA program. This despite the fact that instead of getting a cut, REA will have \$200 million more, by tapping the private money markets with a new system of insured and guaranteed loans in place of direct appropriations from the Government. The insured loans to rural electric or telephone cooperatives will be made at 5 percent interest--any interest cost above 5 percent will be met from appropriated funds.

This change in loan rate brings REA more in line with present-day costs of borrowing. When the REA was set up back in Depression times, the 2 percent interest rate was in line with the 1.9 percent then charged in the money market. The new 5 percent rate similarly is in line with current borrowing costs.

We're going to insist on adequate financing being made available for REA, which has been extremely helpful in electrifying rural America. Now that job is largely accomplished. We have over 7 million meters hooked on REA lines, but only 1.4 million farm meters. Last year, for every new mile of lines constructed with REA financing, there was an average of 14 meters connected. I don't know of any part of the country where there are 14 farms per mile. Somebody besides farmers has been getting the benefit of low-cost REA electricity and phone service.

Fiscal prudence demanded that we halt rural emergency loans.

The demand for emergency loan assistance from the Farmers Home Administration skyrocketed owing to the extremely attractive provisions of legislation hastily enacted by Congress after the Hurricane Agnes and Rapid City flood disasters. The measure authorized 1 percent loans for 40 years with the first \$5,000 forgiven if you sustained at least that much property damage.

There was no requirement in this to get other credit, no financial need requirement. A wealthy owner could have lost a race horse and had his barn swept away, and he could have gotten a \$5,000 forgiveness if his barn was worth that much.

As you can imagine, this was very attractive, especially the \$5,000 give-away. Many wanted in, and by definition, a great many had a disaster, particularly when the \$5,000 forgiveness and 1 percent interest feature were extended to all emergencies declared between July 1, 1971, and July 1, 1973.

FHA-designated loans for emergency areas in the first six months alone of this fiscal year are expected to double the annual record of \$128 million set in 1971. We had enough counties approved with applications coming in and more knocking at the door, that the cost could have reached \$800 million by next July. It would have been imprudent, obviously, to continue the Agnes/Rapid City Act provisions and encourage demands for funds that far exceeded the money that could be made available.

Instead, the regular farm operating loan program of 5-7/8 percent credit has been expanded to accommodate needs previously met by the FHA emergency loan program that is gradually being curtailed. We will make every effort to see that farmers have ample operating credit in 1973.

There is much that the right kind of Government-industry relationship can do to strengthen cotton's position.

Although I have been speaking of economies in Government outlays, surely we ought to tie into the future program for cotton, cost-reduction requisites such as a crash effort to eradicate the boll weevil, which robs farmers of at least 3 and a quarter cents a pound on the average. We can seek ways to encourage market development activities--in that regard, cotton producers are to be commended on their dollar-a-bale program.

We can step up the Government-industry teamwork so well exemplified by Cotton Council International and the USDA market development program for cotton abroad. I was impressed to note that increases in Western European cotton consumption has taken place largely since the International Institute for Cotton began its program to increase the offtake of cotton in Western Europe and Japan.

Cotton producers and the textile industry are to be commended for the efforts being made to solve the byssinosis problem. A group of industry leaders gave me a briefing on this complex subject; we are appreciative of the research being pushed on this problem by industrial and public research organizations.

This is but one example of the many opportunities that we all have for joint action in cotton's behalf. It is particularly gratifying to take note of the leadership given by Charles Youngker and Jerry Sayre in better yields campaigns, which have helped so much to give assurance that needed supplies of cotton would be produced.

Likewise encouraging are the noticeable trends in several areas toward forward contracting by mills and cotton buyers--another key factor in achieving stability of both supply and price.

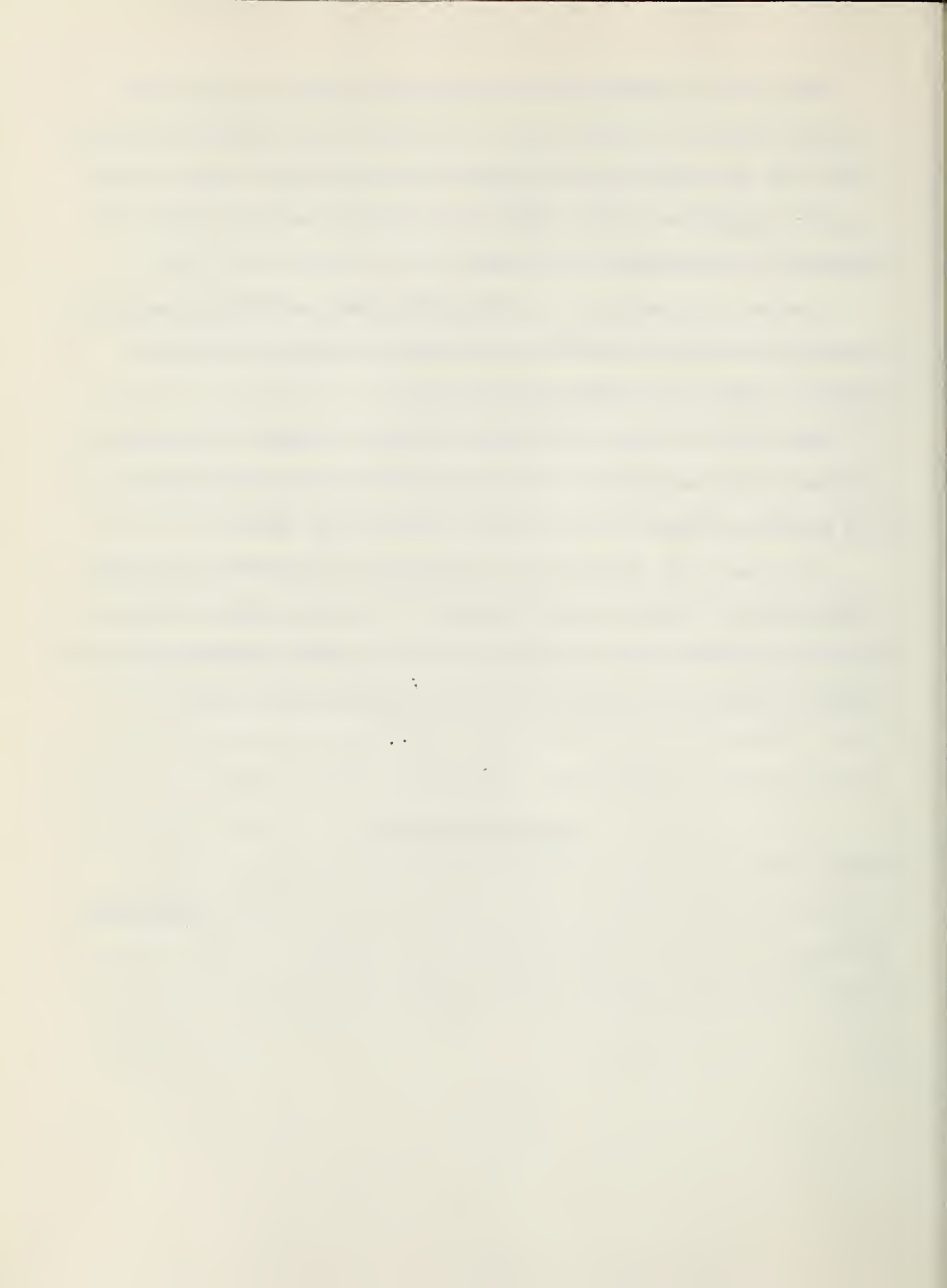
We all have a role in the future of cotton. The great thing about the National Cotton Council is that you provide a forum for all interests, and all geographical areas, to get together behind common goals.

Let's make this the year when cotton takes the offensive. With the understanding of consumers, with the help of concerned friends on Capitol Hill, and with the spirit of loyalty that you possess so abundantly for your product, cotton can and will move forward in humanity's service.

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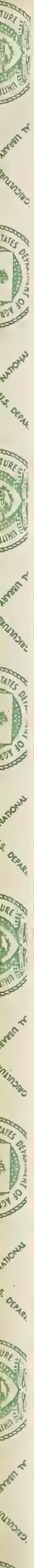
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CONSIDER THE ALTERNATIVES

All kinds of discussion and debate are taking place these days about controls--inflation controls, economic controls, environmental controls, budget controls, to mention only a few. One way or another, the arguments pro and con about controls have a bearing on agriculture. For example, the question of price controls on food lurks in the background. It could come to the fore again if rising costs put more strain on the patience of consumers.

There are two overriding questions of control which I believe merit particular comment at this annual meeting of Land-O'-Lakes. Both of these questions will demand priority attention in Washington during this session of Congress. Both have inter-connecting aspects in their potential impact on the Nation as a whole and on the future course of American agriculture.

These two major questions are: First, will all branches of the Federal Government--Executive, Legislative, and Judicial--find a workable way to put our Government's financial house in order? Second, who is going to control agriculture--do you want Government on your back or at your side?

How the second question is answered will depend to a considerable extent on how the first is decided. Your future--as farmers, as member-owners of Land-O'-Lakes, and as taxpaying citizens--is bound to be affected by the outcome of the Administration's efforts to get our national budget into better balance, to curb inflation, and to avoid higher taxes.

Address by Secretary of Agriculture Earl L. Butz at annual meeting of Land-O'-Lakes
Minneapolis, Minnesota, February 15, 1973

Some people are trying to make the budget issue appear to be an all-out battle between the President and the Congress. I don't agree. There are also those--in Congress itself and in the news media--who see basic Constitutional principles at stake. In my opinion, however, responsible law-makers, responsible Administration officials, and responsible judges--should any of this controversy reach the courts--will work together to seek a reasonable solution to this long-standing problem of Government living beyond its means.

We are trying to inject plain common sense into our spending policies.

The President pledged that there will be no rise in taxes during the next four years. That pledge he is fighting to keep. If the Federal Government's spending is allowed to increase, unchecked, this year, there will have to be tax increases next year and the year after to pay for it. Or we will have another good shot of inflation and higher costs. It's as simple as that.

By holding the 1973 budget down to \$250 billion, the President was able to save the taxpayers a tax increase this year. If he can keep a lid on the 1974 budget--and remember, the Government's year 1974 will start this coming July 1--he will be able to prevent a tax increase next year. That's what most farmers and most other citizens want.

Plain common sense insists that we hold back the ballooning growth and rising costs of the Federal Government. The most obvious place to start is with programs that have become outdated, outmoded, unfair, unbalanced, unnecessary, or whose priority is not as high as other important programs. The President is determined to stop pouring taxpayers' money into programs that don't work, or don't work well enough any more, or that have served their purpose. He doesn't believe in throwing good public money after bad programs.

The President recently told the people of America, "This Government does not need any more of your income, and it should not be allowed to take any more of your salary and your wages in taxes." Unless his budget restraints are accepted, the inevitable outcome will be a new round of inflation and a substantial rise in taxes.

If you look behind the complicated and remote-sounding facts and figures that seem to hang a web of obscurity around a budget of this size, you can see underneath it all a simple relationship of cause and effect: restraint or higher taxes. Most people understand that. The common sense that ordinary folks apply to their family budgets is every bit as applicable to a budget for a Nation of 210 million--and that is, you can't get away for very long with spending money you don't have.

Somebody eventually has to pay the piper.

It is the taxpayer who foots the bill for the Nation's budget. If the Government spends more, the Government will have to raise more money by taxation. That is why every one of us has a vital stake in the shape, size, direction, and philosophy of the Federal budget.

One clear message that came out of the Nixon landslide victory last November is that the great majority of people agree with the President on holding the line. The President believes that Americans want a budget which will keep prosperity without fueling inflation or raising taxes. That is the kind of budget he has prepared, and that is the choice the American people and their elected representatives in Congress must now make.

In the past three or four years the problem was one of stimulating the economy to promote real growth and to reduce unemployment. An attempt was made to provide for a "full employment" balance in the budget, even though there was an actual deficit on a current dollar basis. In other words, the budget was purposely used as an agent of fiscal policy. It worked. Now there is real danger of overheating the economy, with attendant inflationary pressures, and the budget again is being used as an agent of fiscal policy--but this time on the side of preventing overheating. If one believes in using an unbalanced budget to spur the economy on the low side, he must also support a balanced budget to control excesses on the high side. Not to do so would be completely inconsistent.

The question is--and it's a painful question in many instances--where do we start making the savings and economies essential to holding the line? In all the major departments and agencies, and the Department of Agriculture is no exception, programs were reviewed and scrutinized again, and priorities set. Then the decisions were made to cut back or reduce those of lower priority in light of current circumstances.

In the USDA, we came to the decision to curtail or terminate some programs that fall in the out-moded, unfair, or less productive categories, and to shift the source of financing for other programs.

This is the best time--when farm income is up and future prospects look good--to trim fat out of the budget.

The REAP program and its predecessor Agricultural Conservation Program has served a useful purpose since it was established nearly 40 years ago. The idea was to help farmers discover the benefits of conservation farming. Farmers who are seriously in the business of commercial agriculture soon caught on that good conservation practices are an integral part of sound, efficient farm operations, paying for themselves in increased production and improved land values. In any typical year, only about 20 percent of this country's farms have participated in REAP, and the average yearly payment per participant last year came to only \$239.

Starting with President Truman, every President has tried to curtail or to eliminate this low-priority expense item. Right now, the pressure groups, the limestone lobbyists and their friends in Congress are using the REAP issue as the first key attack on the President's policy of fiscal responsibility. The parade of witnesses before Congress seeking restoration of heavy spending is made up not so much of farmers as of those groups who farm the farmers.

Other assaults will follow. The 2 percent interest privilege that REA cooperatives have enjoyed so long is being raised to 5 percent. When the REA was set up, back in Depression times, the 2 percent rate was in line with the 1.9 percent average cost of money to the U.S. Government. It may be painful to some, but it's only fair that loan interest be more nearly in line with current borrowing costs. So it was set at 5 percent, for a new system of insured and guaranteed loans--the Government will pay any interest cost above the 5 percent.

I think any reasonable, tax-conscious citizen will say that's fair. Especially since it means that instead of getting a cut, REA will have access to \$200 million more loan money than before, as private money markets are tapped with the new system of insured and guaranteed loans.

Let me emphasize that we're going to insist on adequate financing being made available for REA. It has a proud record and future potential for rural development. Its original mission in helping electrify America's farms is now largely accomplished, however. Last year, for every new mile of lines constructed with REA financing, there was an average hook-up of 14 meters. Do you know of any part of the country where there are 14 farms to the mile? Somebody besides farmers has been getting the benefit of low-cost REA electricity and phone service. Farm meters constitute only 20 percent of REA's some 7 million meters.

Fiscal prudence required us to halt emergency loans.

After Hurricane Agnes and the Rapid City flood, Congress hastily passed emergency loan legislation. This loan was extremely attractive, especially the 1 percent interest for 40 years with the first \$5,000 forgiveness feature. There was no requirement in this to get other credit, no financial-need requirement.

Soon, many people were having disasters, especially when the \$5,000 give-away and 1 percent interest were extended to all emergencies declared between July 1, 1971, and July 1, 1973. The situation showed signs of rapidly getting out of hand.

FHA loans for emergency areas in just the first half of the present fiscal year are expected to double the \$128 million given out in 1971, which was an all-time record year. We had enough counties approved, with applications coming in and more knocking at the door, that the cost would have skyrocketed to over \$800 million--perhaps \$1 billion by next July. Plain sense said this couldn't go on. We just couldn't continue the Agnes/Rapid City Act spending when it would far exceed the available money.

However, FHA farm operating loans are being expanded, at 5 7/8 percent interest, and are available to operators of family farms unable to obtain credit from other sources. We will make every effort to see that farmers who need credit will get it in ample amount for their 1973 operations.

If we had permitted the emergency give-away to run up costs of \$1 billion or more, farmers would have been harmed more than helped in the long run. The situation would prey on the public mind at the very time when we would be working with a city-oriented Congress for the best new farm legislation possible.

Budget cuts and program reductions are always painful. They are painful to whomever may be affected, farmers included. They are not easy for any Secretary of Agriculture or any Administration. Nor are they easy for Congress. Yet the alternatives are far more painful--more inflation with runaway costs, and higher tax burdens for everybody.

Farmers want Government off their backs--not more Federal interference.

There is still another painful alternative, because a new inflationary flare-up could lead to strict price and wage controls, including controls on farm products. I strongly doubt that Land-O'-Lakes people would relish that prospect.

As we consider agriculture's future, we ponder on the all-important question of who will control farming a decade or a generation from now. We can see that the sound course will be toward less domination by Government, fewer controls, and profitable farm production geared to growing markets.

We have made considerable progress in that direction. We have made it under the Agricultural Act of 1970, which will expire with this year's harvests. We are hopeful that bipartisan, consensus legislation will carry forward the philosophy of the 1970 Act, since that philosophy aims at putting the control of farming where it belongs--in the hands of farmers themselves.

How ironic it would be, after all the gains agriculture has made--gains in freedom for farmers to manage their own affairs, gains in farm exports, gains in farm income which has reached the highest level in history--what a tragedy it would be for the Government to be compelled to clamp a lid on farm prices and farmers' earning opportunities! This we shall resist, as agriculture continues to get a record income from expanding sales in a free market.

Farmers want controls on inflation--not controls on farm products.

Farmers want higher net farm income; not higher taxes, not higher farm operating costs, not a retreat to rigid, mandatory Federal controls.

Farmers want ceilings on Government spending; not ceilings on farmers.

Farmers--like all other consumers--want reason in our fiscal budgets; not ration stamps in their pockets.

This is why your future as individual farmers, and your future as one of the Nation's leading farmer cooperative organizations, hinge in large measure on the outcome of the spending issue. We in agriculture must make our contribution, in every way we know how, to curtailing Government spending.

We must do what we can to stop inflation. We must seek those cuts in Government farm spending that we can make most easily without harming the rise in farm income from the marketplace.

Agriculture has everything to gain from slowing the upward spiral in farm costs. Our increased farm income will go farther and be a net gain, instead of having farmers just run faster on the treadmill with no forward progress.

More importantly, solid growth of the national economy and improvement in people's real earnings will bring about sound growth in demand for our farm products. When coupled with less burdensome taxes and our continuing drive for overseas markets, developments such as these can make agriculture's future highly encouraging.

America's family farms will always have a secure place in that future. The well-managed family farm operation is far and away our most productive agricultural unit. Let's strive to keep it that way. Let's keep uppermost our goal of increasing real income for dirt farmers. We want more real spending power in the pockets of real farmers.

That's why it is so urgent that we draw the line on Government spending. We cannot afford to ignore the facts of life--we cannot afford to stick our heads in the sand--we cannot afford to risk losing the public's confidence.

Now is the time to exert all the positive, constructive leadership we can muster, so that farmers long into the future will stand high, will stand on their own feet--and will continue to march toward the higher share of the national affluence they so richly deserve.

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Advance for Release at 6:30 A.M. EST., Thursday, Feb. 15, 1973



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THE FOREST AND THE TREES

A few days ago a prominent editor praised the President for bringing the Vietnam War to a successful conclusion--for persevering patiently and silently despite criticism at home and abroad. The editor admitted he had been one of the loudest critics of the heavy bombing last December. Then he said of the President:

"His eye was on the forest while the rest of us had ours on the trees."

So often that is true. In what we do, in what we think, we frequently let the trees obscure our vision of the forest. We let smaller things stand in the way of the total view, the total objective.

That happens in agriculture. Depending on our particular, individual interests--whether we are livestock feeders or grain producers, whether we are growers or processors of farm products, we are apt to become so preoccupied with our own special concerns that we lose sight of the complete picture.

At this moment in history, here at this annual meeting of a great livestock organization, I believe it would be well to pause and take a broad look at where we stand and where our Nation's agricultural community seems to be going--and can be going, if we have the determination to work together, and put our best efforts into the opportunities that lie ahead.

American agriculture has reached a unique position in its progress.

How fortunate it is, in view of the tremendous demand for U.S. farm products at home and throughout the world, that we have this marvelous agricultural capacity in America--the world's most productive and efficient food-producing plant.

Address by Secretary of Agriculture Earl L. Butz at 52nd annual meeting of Central Livestock Association, Inc., St. Paul, Minnesota, February 15, 1973

How fortunate it is that these last few years of bumper crops have put more cash in farmers' pockets instead of piling up one surplus on top of another--how fortunate, indeed, that we did have extra supplies of grain to meet increasing market demands.

How fortunate it is that the Agricultural Act of 1970 enables us to bring resources back into production fast, to encourage farmers to plant idled acres to soybeans, wheat, and feed grain so that they can take maximum advantage of profit opportunities.

How fortunate it is that our support prices for a sought-after commodity such as soybeans were set at a market-stimulating level--rather than giving soybeans the false security of artificially high supports--and how fortunate that we have the reserve capacity to devote more acres to soybean output.

How fortunate it is that farm people have new means, new incentives, and new courage to take full part in America's future growth.

How fortunate it is that farm income has risen at all levels--gross, net per farm, net per capita--and total realized net income from farming in 1972 exceeded \$19 billion, the highest in history. This gives farmers and their rural neighbors the financial ability as never before to improve their land, water, air and vegetative resources.

How fortunate it is that the Administration and Congress have worked out practical blueprints for rural community development and improvement of our natural environment, which so many citizens in rural areas and city centers desire.

How fortunate it is that prosperity has returned to most of rural America, with more dollars at work in the small towns and cities, more business on hundreds of Main Streets throughout the land, more farm equipment being bought and sold--more economic action throughout the agricultural community.

How fortunate it is that the President had the courage to make a commitment to abolish poverty-caused hunger from America, a commitment which helped boost the demand for meat, poultry, eggs, milk, wheat, grain, and protein feed--and how fortunate that our agricultural plant has the capability to make that commitment come true, stepping up our economic growth in the meanwhile.

How fortunate it is that other nations can turn to America to buy the food they need.

How fortunate it is that Soviet leaders determined to increase the animal protein content of the people's diet by 25 percent, and that when the Russian weather adversely affected their grain and wheat crops, we had the supplies, the land, the climate, the capitalization and the know-how to step in and fill their requirements.

How fortunate it is, that wherever drought or monsoon damage pose the threat of hunger, anxious people and their governments realize that American agriculture has the productive capacity to alleviate their needs. India, for example, is said to be in the tightest wheat situation since 1968. We have a 25-year record of deploying food to regions of want, but wherever the stark specter of starvation looms--when a crisis arises--we can cope with it.

How fortunate it is that we followed the wise policy of refusing to impose price constraints.

How fortunate it is that we have kept intact a food-production machine powered by profit incentives--that we have resisted ceilings on farm prices, agricultural growth, and farmers' opportunities to earn. Thus as American appetites for meat continue to grow, as per capita consumption and total demand for beef increase, and as consumer purchasing power forces up meat prices, we are able to move into the breach and fill the gap with increased production.

How fortunate it is, finally, in view of this new situation of tremendous demand at home and continuing prospects for market growth throughout the world, that President Nixon has determined to wage peace aggressively. He is committed to building a peace that works--to make it work by nations cooperating with each other and trading together, exchanging their advantages for the mutual benefit of all. That's the basis of lasting peace.

How fortunate it is that American agriculture can undergird the President's commitment. We have the resources in use or in reserve to produce the crops and livestock to meet expanding needs for food. We have farmers with the capital assets, technical know-how, experience and spirit to carry on the great tasks ahead.

As a consequence, a fundamental change is taking place in the approach of Government to agriculture. For many years, farm programs were geared to the problems of a depressed agricultural economy. We were hung up in the thinking of the Depression Thirties when Government programs dealt with farming like a problem child. Only in times of war and national emergency did agriculture seem to do well enough to give farmers some measure of prosperity.

Now comes the real challenge.

Can we divorce ourselves from a 40-year attitude of regression and withdrawal? Do we dare break out of the protective cocoons that we have spun around farmers for so long--cocoons that often have blocked progress and denied farmers the freedom to make their own decisions and seek their best opportunities in the marketplace?

Can we gain the vision to see the whole forest, instead of being blinded by the trees of price props, parity, and public payments? The challenge for agriculture today is to get out of the woods of temerity and move on the way to peace--and to capture the benefits that will come with it.

The farmers of America are already deeply into the work of waging peace.

By the end of this coming June, we will mark our first \$10 billion-plus year in export sales...including large sales to countries which only a short while ago seemed remote and antagonistic.

A new world climate exists as the result of President Nixon's epic journeys to Peking and Moscow, and the positive developments that have taken place since. Foreign markets are expanding, as people's diets and purchasing power improve. There will be a sustained level of demand abroad for our wheat, grain, and soybeans--and no doubt growing demands in years ahead for many other U.S.-grown farm products, including livestock and meat cuts.

Sales of wheat and soybean oil to Mainland China in recent months are indicative of other markets to be tapped. There is a real demand, a pent-up demand, for what we can produce--and our challenge is to stay competitive and gear up to meet that demand. If we can do that, and if we can evolve a farm policy that will enable us to deliver the goods wherever and whenever they are needed, this Nation's agriculture will achieve new levels of prosperity.

That's the view of the forest we need. Let's resolve to work together to make that view a reality.

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Now I'd like to make a couple of points on the subject of farm prices. We've been catching a lot of flak in this area for several months now. And I maintain that farmers shouldn't always be the whipping boys. Nobody seems to get unduly concerned when farm prices are very low and farmers are losing money. But in the years when farm prices recover and farmers have a chance to do a little better, then we hear lots of static.

Two interesting sets of figures have come in recently which prove that we can have good farm income and, at the same time, reasonable prices for consumers. The goals of high farm income and reasonable food prices for the people of this country are fully consistent.

One set of figures came from the Bureau of Labor Statistics in the Department of Labor which showed that average weekly spendable wages-- that's income after Social Security and Federal income taxes are deducted-- in December 1972 were up 7 percent over December 1971. During the same 12-month period, the Consumer Price Index rose only 3.4 percent. And food prices at retail, including restaurant meals eaten out, were up only 4.7 percent.

These figures from the Department of Labor weaken the argument for those who already are trying to build a case for another round of exorbitant wage increases this year. Such a new wave of wage demands would set in motion further inflation pressures, just when we are making solid progress in bringing inflation to heel.

The other set of figures shows that while workers' incomes were rising

Excerpts from remarks by Secretary of Agriculture Earl L. Butz before the 51st National Agricultural Outlook Conference, Feb. 20, 1973.

faster than the prices they pay for food, net incomes of farmers rose to an all-time high in 1972, to a total of \$19.2-billion. The demand for food is thriving, and farm prices have strengthened. Farm exports are at a new high, moving toward an \$11-billion total this fiscal year.

To put farm prices in a little better perspective, I'd like to refer to the record of wholesale prices of industrial products compared with wholesale prices of farm products for the past 25 years. While wholesale prices for industrial products have risen steadily since 1947, wholesale prices of farm products have moved erratically--declining in about half of those last 25 years. The record wholesale price for farm foods set in 1951 was not reached again until July of 1972. With 1947 as the base, the index of wholesale prices of industrial commodities in January stood at 169.6. The index of wholesale prices of farm products by comparison now stands at 131.8.

You've all seen the figures and trends of food expenditures as a percentage of income. These trends show that food expenditures fairly closely parallel take home pay of workers up until about the mid-1950's, then the gap begins to widen as personal disposable income pulls ahead of food expenditures. The result is that the percent of income spent for food shows a downtrend since the World War II period. And it's interesting to note that while food expenditures have been taking a smaller percentage of average consumer income each year for many years, this reduction has taken place even though consumers have shifted to more expensive foods, bought more services with their food, and are eating more meals away from home.

In 1972 total food expenditures amounted to only 15.8 percent of total take home pay, compared with 23.4 percent in 1929.

We can refine that figure a little more: Over the past two decades a family of median size and median income spent an even more rapidly declining share of their income for food. Estimates show that a family of median size and income in 1972 spent 17.4 percent of its income for food, compared with 30.8 percent in 1950. That's a drop of almost one-half in a period of 22 years.

I'd like to further refine these figures. If you look at food prices broken into two segments--food purchased away from home and food eaten at home, you see an interesting divergence. The index of prices of food eaten away from home parallels very closely the index of prices of all consumer services. And both are above the consumer price index. But in recent years, food at home has fallen below the consumer price index line.

Well, I think you get the point. Our policies in the areas of agriculture and food should not be farmers vs. consumers. What has happened in agriculture is good for all of us as consumers and taxpayers. Within a few months we will be either out, or almost out, of Government holdings of surplus grains. This will be the best position that we have been in since World War II. It will be a welcome day for farmers, for Congress, for the Government, and for the Nation.

We are moving toward more farm income from the market and less from Government. I'm sure that each of us here today, and every farmer, applauds that progress.

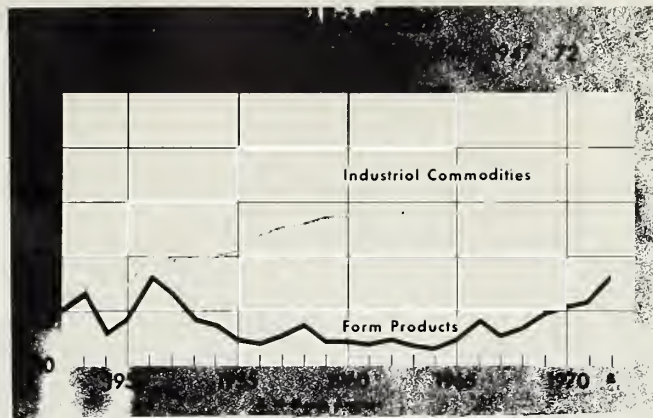
You people are not the ones who really need this message most. But perhaps you can help carry this message to those who do need it--to drive home the fact that by any reasonable standard of comparison, food is a bargain. It is a bargain if you buy intelligently at the grocery store--and especially if you don't buy a lot of built-in maid services and if you're not talking about going to some fancy restaurant in Washington, Chicago, Des Moines or Ft. Worth.

Our farmers are producing the widest variety of the highest quality food for the lowest percentage of income of any nation in the world. And the way to get more food is not to put on price controls or ceilings--and get rationing and black marketing and all the other things which go with taking that route.

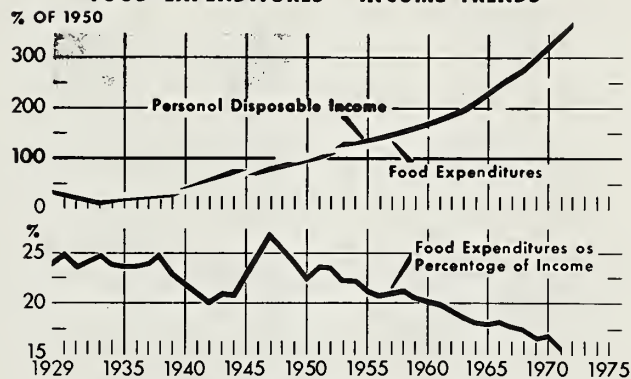
You let farmers know that you want more food by offering them decent prices. Farmers respond by producing more food. You already know that. Just give us all the help you can by passing that message on to the audiences you reach.

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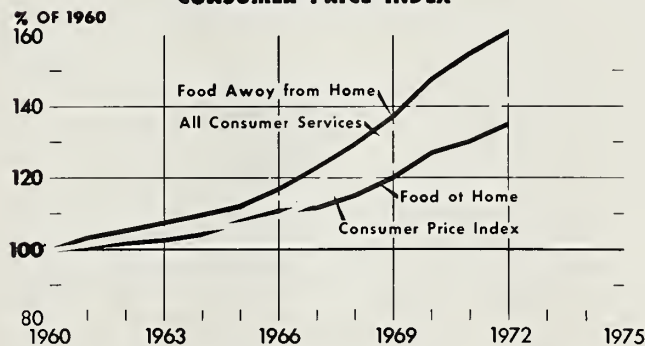
NOTE TO EDITORS: Black and white prints of these four charts are available free to news media from the Photography Division, Office of Communication, U.S. Department of Agriculture, Washington, D.C. 20250. Telephone (202) 447-6633. Identify by these numbers: Wholesale Prices, BN-39937; Food Expenditures - Income Trends, BN-39938; Consumer Prices: Food, Services, Consumer Price Index, BN-39939; Percentage Increases, BN-39940.



FOOD EXPENDITURES - INCOME TRENDS



CONSUMER PRICES: FOOD, SERVICES, CONSUMER PRICE INDEX



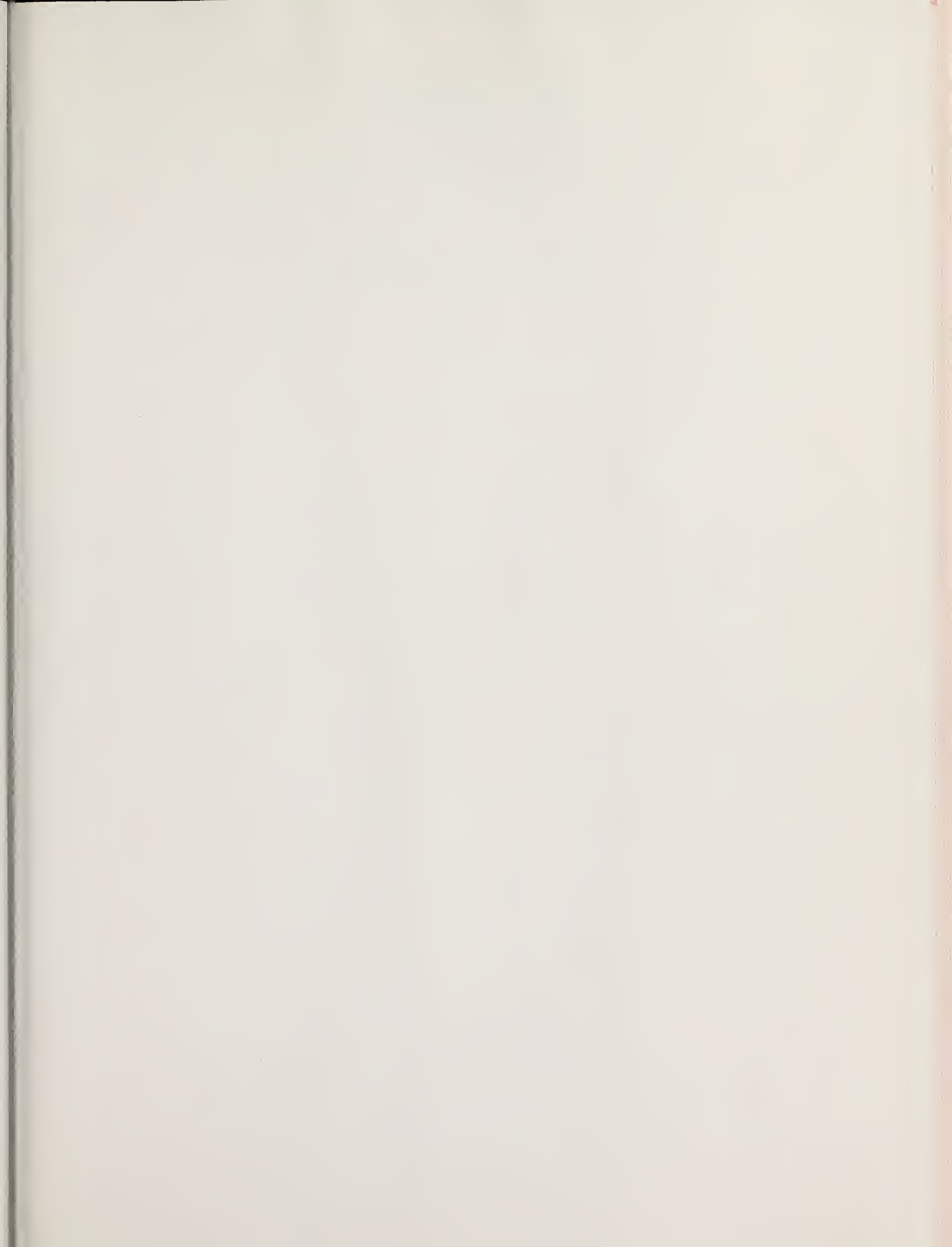
PERCENTAGE INCREASES from December 1971 to December 1972

CONSUMER PRICE INDEX 3.4 Percent

ALL FOOD AT RETAIL 4.7 Percent

**AVERAGE SPENDABLE
WEEKLY EARNINGS 7.0 Percent**





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STATEMENT OF EARL L. BUTZ
SECRETARY OF AGRICULTURE
BEFORE THE
SUBCOMMITTEE OF THE HOUSE APPROPRIATIONS COMMITTEE

February 21, 1973

Mr. Chairman, members of the subcommittee: It is a privilege to appear before this distinguished committee in support of the Department of Agriculture's budget. This Committee has been unswerving in its loyalty to American Agriculture. I am confident that again this year this Committee will act in the interests of that part of our economy which provides the food and fiber on which the rest of us depend. Although there may be some disagreement on the part of members of this Committee with the 1974 budget, there is no disagreement on the importance of Agriculture to the nation and indeed to the world.

As the President said in his Budget Message, the 1974 budget attempts to achieve several important objectives. It seeks to move the nation's economy toward high employment and prosperity without inflation and without war. It changes the direction of the flow of power away from Washington to State and local officials where decisions regarding local needs can best be made. It creates conditions for the American farmer to increase his income with a minimum of government regulation by expanding world markets, stabilizing the domestic economy and tailoring farm programs to provide freedom of choice and reasonable earnings.

It is within such a framework that the 1974 budget is cast. It will not please all people. No budget ever does, nor could. It includes

reductions which are controversial. Yet in the long run if inflation is to be controlled and tax increases are to be avoided, fiscal restraint will have to be exercised; and Agriculture has as much or more to gain from a healthy domestic economy as any other segment of our society.

The past year has been an outstanding year for agriculture. Farm prices have strengthened and the demand for food is expanding. Farm exports are at a new high, likely to total about \$11 billion this fiscal year. We are working ourselves out of government stocks of farm commodities, and within a few months we will be either out, or almost out, of government holdings of grains. This will be the best position that we have been in since World War II. When that time comes it will be a welcome day for farmers and for the Nation.

But still most family farmers have not been able to obtain incomes comparable to what their labor and investment could earn in other sectors of the economy, although there has been gratifying progress in that direction. In 1968, realized net farm income was \$14.7 billion. Figures on 1972--just reported--show that that is \$19.2 billion--an increase of 31 percent in four years. As a result, average income of farm people today is 83 percent of the average income of nonfarm people, compared to 74 percent in 1968. I would not like for us to lose this momentum.

Needs for Establishing Priorities

When we look at the national economy, we see that it is expanding at a brisk pace. Demand for food is strong and rising. The overall outlook is bright. Yet there is one very disturbing factor--that of inflation.

Government outlays continue higher than government revenues. Excess government spending fuels inflation. Our imbalance in international trade has reached a negative \$6.4 billion, the worst in a Century. The value of the dollar has deteriorated. Inflation is taking a heavy toll.

Citizens want excess government spending stopped. Already the Federal government is taking 20 percent of the gross national product. State and local governments are taking another 14 percent. Even those citizens who are not on the public payroll are working for the government one-third of the time.

Unless we curtail government spending, we risk rising inflation with skyrocketing costs, heavier taxation, or strict price and wage controls across the board. None of our citizens want to take such risks.

Farmers want higher net farm income, not higher taxes and higher farm operating costs. They want controls on inflation, not controls on farm products. They want ceilings on government spending, not ceilings on farm prices.

Toward this end, we have had to take some major steps in the current fiscal year. We have had to discontinue receiving new applications for the Rural Environmental Assistance Program, the Water Bank Program, subsidized housing loans and water and sewer grants, and we are not requesting funds for these programs in 1974. We have had to establish a cutoff date for disaster loans 60 days after an area was designated as a disaster area. We have had to replace direct 2 percent rural electric and telephone loans with 5 percent insured or guaranteed loans. We have had to slow down the watershed programs of the Soil Conservation Service and reduce administrative costs of the Department.

These were not easy decisions. They have not been universally popular. Some have suggested that we should have cut all programs across the board to achieve the necessary reductions in government spending. I do not hold to that view.

We have tried to be selective in our reductions. Furthermore, we have tried to cushion the impact of these decisions. We have added more funds to the REA loan programs than ever before in history. We have offered conventional operating loans to qualified farmers who no longer will be able to apply for disaster loans. We will work with the Environmental Protection Agency to insure that its funds are made available in rural areas to those communities which need assistance for sewer programs. We are participating in the evaluation of low-income housing to determine the best means for making housing assistance available to needy families. We hope that the net effect of these actions will be to slow down the rate of inflation, avoid a tax increase and yet, to provide the essential services which rural America needs to prosper and grow.

Our programs for 1974 are intended to reflect a degree of fiscal responsibility so that it won't be necessary to impose further burdens on people in order to support a ballooning government.

Goals of the Department

Our first goal of the Department of Agriculture continues to be to raise farm income from the marketplace. We also want to strengthen the family farm so that it can keep its important role as the primary factor in agriculture and in American society.

We want to continue increasing agricultural exports, eliminate poverty-caused hunger and malnutrition, speed up the development of rural communities, make sure--within environmental constraints--that our country has adequate supplies of timber, improve our land-use policy and planning, continue to develop our greatest resources--youth--achieve equal opportunity for all our citizens, and achieve better understanding among the general public of the tremendous contributions of our agriculture and rural economy.

Those points represent the Department's major, strategic objectives. There are additional problem areas that will receive consideration, but those major objectives have guided us in requesting funding levels intended to meet existing commitments and to respond to the highest priority needs.

Every effort is being made to redirect resources from obsolete, ineffective or lower priority programs to meet higher priority needs. We feel that we can meet our revised priorities with a total USDA budget of \$10.4 billion, \$1.1 billion less than our estimated FY 1973 budget authority. I believe such action will provide adequately for an aggressive, growing agriculture. I also believe such action is necessary.

Increasing Farm Incomes

The primary mission of the Department of Agriculture is to assure that farmers and ranchers have the opportunity to earn incomes consistent with their investment of capital and labor and comparable to returns in other segments of the economy. There are several ways to increase farm income. In the past, we have purchased or acquired commodities for redistribution in order to stabilize and support farm income. It will not be

necessary to do as much of that now since surpluses have been disposed of and market prices are high. We plan to expand crop production where we have comparative advantages, such as with soybeans, so we can expand exports. We plan to expand livestock production so that producers can share fully in the expanding demand for meat. And we intend to continue credit programs for those who are unable to obtain sufficient credit from other sources--with priority going to young farmers, and returning Vietnam veterans.

We shall continue to need authority for acreage set-aside programs or some other effective form of production adjustment for the major commodities for many years. The change toward a market-oriented economy should not be made so abruptly that it causes low prices, income instability, and hardship to producers.

Farmers need more power to bargain as they sell their products and as they buy the goods they must have in order to produce. Thus, farmer cooperatives will continue to play an important role, and the Department will continue to support legislation that aims to achieve an equitable power balance.

The Agricultural Act of 1970 ends on December 31, 1973. We shall be working with Congress to provide new legislation for 1974 and subsequent years. That offers us an excellent opportunity to modify domestic farm programs to move agriculture another step toward greater independence and greater reliance on the marketplace while moderating program costs.

The Commodity Credit Corporation budget for fiscal 1974 anticipates that the direct outlays for price support activities will be down by about \$700 million. That total results from lower direct payments to producers, chiefly the result of reduced set-aside acres. Farmers will have more freedom to plant and get a greater share of their income from the marketplace. The budget reduction is offset partly because we expect lower sales proceeds and less repayment of commodity loans than in the current fiscal year.

In 1974 we plan to continue to make adequate farm credit readily available to farmers who cannot get sufficient credit elsewhere at reasonable terms. We are requesting FHA farm ownership loans of \$350 million and farm operating loans at \$350 million in 1974.

Improving Production and Marketing Efficiency

Another important mission of USDA is to help assure that an adequate supply of farm products is produced and marketed efficiently and at a continuously lower relative price to meet the needs of a growing population and for export markets. I am convinced that programs to maintain an efficient farm production and marketing system have not received adequate attention in recent years. These programs reach to the heart of agriculture. Without them, American agriculture cannot maintain its comparative advantage in domestic and world markets and cannot continue to compete with other industries for capital and labor.

USDA objectives can best be served by stimulating and encouraging the development and adoption of a wide range of managerial, technical and biological innovations in agriculture and in the marketing system.

USDA aid in research, disease and pest control, and extension should be concentrated in those areas where the private sector cannot perform adequately. We shall continuously seek to redirect USDA resources for research, technical assistance, and market regulation to place greater emphasis on production and marketing technology aimed at the special problems of the family farm.

USDA should emphasize technology adapted to family farms, to improve food quality, and safety and to remove structural inequalities in agriculture and marketing. We can rely on industry and the State experiment stations to continue heavy emphasis on yield-increasing research.

The Department is proposing decreases in the research programs of the Agricultural Research Service and in grants to State experiment stations. It is always difficult to cut back any activity as popular as research. Yet we need to evaluate research programs continually to assure that we are funding the highest priority work. Some of the research we have been conducting is essentially completed; some is being conducted at facilities that are no longer adequate. Some projects can be consolidated with others at different locations to get the same or better results at less cost. Our research efforts have to be tied in closely with those of the State experiment stations to make sure that we solve our most important problems and avoid duplication.

Boosting Exports

We will reach or exceed the President's target of \$11 billion in farm exports in fiscal '73. That will be greatly aided by his successes in opening up trade relations with the Communist countries and the President's recent proposal to devalue the dollar. Export prospects are promising for next year, but we may not be able to maintain all of the export gains next year if weather conditions improve, especially in the USSR. If we are successful in gaining a more liberal trade climate throughout the world and if we follow an aggressive export policy, we should be able to maintain a high level of exports and move above the \$11 billion export level.

Because of expanded commercial exports this year we can significantly reduce the cost of our export programs without jeopardizing our farm income and export goals. We have suspended export payments on wheat, wheat flour, and rice. We have terminated export payment programs on chickens and lard and will terminate the tobacco export payment program effective with the 1973 crop. With the strong foreign demand, we no longer need to subsidize exports to move farm products.

We believe that we must seek out and develop new markets and guarantee that U.S. commodities are fully competitive at all destinations. We stand ready to expand our export programs and to reinstate our suspended export payment programs if necessary to keep U.S. exports competitive.

Providing Domestic Food Assistance

One of the principal goals of this Administration, and a major mission of USDA, is to assure that all Americans have adequate resources and knowledge to eliminate poverty-caused hunger and malnutrition.

The major increases over the last four years in the various programs of direct cash assistance, plus the use of food stamps, now offer the possibility that all Americans can obtain an adequate daily intake of food. Therefore, the Department's estimates for FY 1974 are based on the costs of meeting that commitment.

We are planning to spend more than \$4 billion in fiscal 1974 for the food programs of the Department. That is about the same as we expect to spend in fiscal 1973. Although school lunch costs will be higher, we expect to be able to offset the increase with a reduction in the special milk program. We propose to operate the special milk program in fiscal 1974 only in those schools which do not have a federally-assisted child nutrition program. In those schools where the child nutrition program is operating, a free or reduced price lunch--including milk--is made available to every needy child, and a subsidized lunch is made available to every child. It is only in those schools which do not have a program that we need to make milk available on a special basis to all children.

We expect to spend about \$2.2 billion for the food stamp program in fiscal 1974--about the same level as in fiscal 1973. There will be some growth in the need for food aid in fiscal 1974. The budget would have been higher except that the supplementary security income program from higher Social Security benefits made available to older and disabled persons now offers such persons direct federal payments rather than food stamp assistance.

Providing Consumer Services and Developing Human Resources

Americans are demanding greater quality and wholesomeness in their food supply. As the population grows and higher incomes help to expand food consumption, protection costs become higher.

Estimates for FY 1974 include mandatory workload increases for meat, poultry, and egg inspection. If additional costs are incurred from additional States that turn their inspection over to the Federal government, or if increased expenditures result from the 80-20 cost-sharing legislation now being considered in Congress, we shall consider the need for a supplemental request.

We are asking for a supplementary appropriation in fiscal 1973 and an increase in fiscal 1974 to meet the increased costs of meat and poultry inspection. These increases are necessary to provide adequate inspection for the growing volume of meat and poultry products and to provide for the federal operation of State systems where States are unable or unwilling to maintain inspection at least equal to federal inspection.

Developing Rural America

The recent enactment of the Rural Development Act of 1972 provides a new landmark in the history of national policy and Federal efforts to promote more rapid economic and social development of rural areas. Intensive efforts are underway within USDA to develop policies and operational plans to carry out the intent of Congress as expressed in that Act.

Increased funds requested for FY 1974 to carry out new rural development program initiatives total \$333 million.

The Rural Development Act of 1972 was enacted at a time when the overall budgetary and fiscal situation does not permit major increases in budget outlays. If fully funded as a nationwide program and in accordance with traditional responses to new program thrust, the Act could add \$400 to \$600 million a year in expenditures to a budget already burdened with spending needs. Therefore, our FY 1974 proposals are designed to provide a selective and cost-effective start to a coordinated national rural development program. It largely will test policies, criteria, procedures, and coordinating mechanisms during FY 1974. We believe such a limited-scale program will minimize budget and employment increases in FY 1974 and provide a reasonable chance to obtain tangible and measurable positive results.

The Department plans to implement several new programs under the Rural Development Act in FY 1974. These will be discussed in detail by the new Assistant Secretary for Rural Development Will Erwin, and the individual agencies. We plan to make \$310 million available to local communities in the form of loans and grants for rural industrialization and community facility development. These funds will be made available to multi-county districts within a State for projects which local and State community leaders determine have the greatest potential for success. We are planning to carry out this program only in selected areas and on a modest basis in 1974. Too many government programs have failed because they started on a crash basis and involved the investment of very large

amounts of money. We intend, therefore, to evaluate carefully the success of this program as we go along to make sure that it is in fact achieving the objectives established for it by the Congress and by the President.

In addition to the \$310 million, we are also asking for \$10 million for long term environmental cost sharing and technical assistance to agriculture producers and others to deal with critical erosion, sediment or environmental problems originating on farms or other land, and which have an adverse communitywide effect. The 1974 budget also includes \$2.5 million each for the Extension Service and the State experiment stations to deal with the research and extension aspects of rural development.

The FY 1974 budget includes \$345 million in loan funds for water systems. That is \$45 million more for water and sewer assistance than is available in FY 1973. However, we are not requesting grant funds, or loans for waste disposal facilities in FY 1974, since the budget for the Environmental Protection Agency provides funds for those purposes.

We are also planning to make loans for rural electric and telephone assistance under the Rural Development Act. In FY 1974, \$758 million in insured-guaranteed-loan authorities are requested for this purpose. When we add that \$758 million to the amount expected from the Rural Telephone Bank and the National Rural Utilities Cooperative Finance Corporation, we will have more funds available in one year for rural electric and telephone facilities than we've ever had in the history of the program.

Because of the moratorium on subsidized housing loans, we are not requesting funds for such loans in FY 1974. We do plan to continue unsubsidized loan programs at the FY 1973 level. The moratorium was established so government could evaluate the program to insure that subsidization is the best means--the most effective means--to provide adequate housing to low income people. We are honoring all commitments for housing loans made before the cutoff date, and we believe that new housing starts will continue well into fiscal year 1974.

Improving the Environment and Developing Resources

The public continues to be concerned, and rightly so, about environmental quality. We are proposing to continue the Forest Service's program for correcting the most serious pollution abatement problems on the National Forests. We plan to maintain timber sales at levels presently expected, while considering public concern for environmental quality issues. Also we are providing \$8 million for the Soil Conservation Service to initiate a national land inventory and monitoring program. This major national initiative, authorized by the Rural Development Act of 1972, will represent the first concerted nationwide effort to identify the current status and future changes in all of the nations land and water resources.

Enabling Equal Opportunity

I think we have made significant progress over the past three years in improving opportunities for disadvantaged minorities to avail themselves of USDA services and programs. That includes employment in USDA agencies but much remains to be done.

The Office of Equal Opportunity is being expanded under increased appropriations provided in FY 1973. We hope to complete the staffing requirements necessary to meet responsibilities under Title VI of the Civil Rights Act, and want to strengthen our personnel program to assure equal employment opportunity within USDA and give a new thrust in upward mobility.

This concludes my remarks. I will be happy to answer any questions you may have.

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FARMER COOPERATIVES IN A COMPETITIVE SOCIETY

If agriculture and rural America are to meet the challenges of the last quarter of this 20th Century--as I am confident they will--they will succeed best by acting and thinking in the spirit of these changing times.

Old doctrines, outmoded programs, antiquated ways of dealing with farm and rural problems will not suffice. Indeed, approaches tailored to the rural conditions of 40 years ago will only stand in the way of progress.

Here at home and throughout the world, eventful changes are taking place--there are growing demands, and growing markets, for the commodities that American farmers can best produce. A new world climate of peace exists. America is gaining in economic strength--people want to eat better, eat more, and live better.

These developments, which already have brought American farmers an all-time high net farm income of \$19.2 billion in 1972, demand that we tackle the tasks of food production with a new, forward-looking attitude, not with programs geared to the 1930s. It all means, it seems to me, that we must divorce ourselves from the mentality of regression and withdrawal which for four decades has dealt with farming as if it were a problem child.

It is time to break out of the protective cocoons that we have spun around rural America for so long--webs that often have blocked progress and denied farmers the freedom to make their own decisions and seek their best opportunities in the marketplace. The present strong upsurge in agriculture says we can do it.

Address by Secretary of Agriculture Earl L. Butz before the National
Telephone Cooperative Association, Washington, D.C., February 23, 1973

We are getting results from a farm policy of expansion and self-determination.

Our current farm program has set thousands of farmers free from crop and quota controls. It put more cash in their pockets. It gave them new freedom to plant and manage their affairs for best profit opportunities.

Aggressive management of the program has given us new leverage in international trade. Farm exports began to make substantial gains, and about two years ago, President Nixon set an agricultural export goal of \$10 billion, which some felt we could achieve by 1975 or 1980. Yet now, in this present fiscal year that ends June 30, not only have we reached that goal much sooner than anticipated, but with export sales of \$11.1 billion we are surpassing it by at least a billion dollars!

We are working ourselves out of Government stocks of farm commodities. In a few months, we will be either out, or almost out, of Government holdings of grains. This will be the best position that we have been in since World War II. We are calling more reserve acres into production. The whole picture tells us that farming is going to be a busy, productive, profitable industry for months, and years, to come--provided we keep the forward momentum going.

Best of all, we are moving toward more farm income from the marketplace and less from the Government. President Nixon summed it up well when he said the Administration's aim is to "keep the Government off the farm as well as keeping the farmer on."

We can do that with programs that are in tune with the times and which provide the ability to adjust to unexpected developments in weather, markets, consumer preferences, new technologies, and other factors that affect agriculture.

Programs for rural America require similar modernization.

It would be a mistake to lock agriculture into the concrete of old programs, just as it would be self-defeating in the end for important rural development efforts to be fettered by methods and philosophies that are out of date.

Take the current REA discussion, for example. The fuss over REA 2 percent loans might lead some people to believe we are trying to put rural electric and telephone cooperatives out of business. That's ridiculous, of course. The reality is that we are operating in a new environment. We are talking about a realistic, and therefore necessary change, if one is to live successfully under changing conditions.

We are working with the cooperatives to help the system adapt to today's conditions and tomorrow's needs. It is another step toward independence, self-determination, and success. The future of REA co-ops depends on how successful they are in tapping money markets and getting the public assistance they need to acquire the added capital necessary to assure America's rural growth. The co-ops have taken a step forward through the Cooperative Finance Corporation. Other sound steps are underway.

Rural people want to pay their own freight.

You in the rural telephone cooperative business exemplify the kind of self-reliance and do-it-yourself philosophy that we identify with farmers and their rural neighbors.

I want to take the opportunity to compliment you on the substantial progress you have made in financing yourselves, and on the successful operation of your new Rural Telephone Bank. I compliment you on your objective of providing telephone service to remote, desolate areas of difficult terrain--and on being able to do this with a minimum of cash outlay. You are to be commended for being pace-setters in modern transmission techniques--and for spear-heading the thrust we are mounting for a rural countryside where much of the Nation's future growth will take place.

If that sounds like lavish praise, it's what I intended. You are demonstrating the very essence of cooperation, how dedicated farm and rural people can work together for the benefit of all.

As you may know, I devoted much of my early professional life to the cooperative Farm Credit System. I took the position then, and I adhere to it now, that as cooperative organizations achieve independence from continuing Government financing they will become even stronger financial institutions. During this year of 1973 the Production Credit Associations are celebrating their 40th anniversary--and they are now independent from Government.

The PCA's and Federal Land Banks have emerged stronger than ever following their shift to private money markets. That seems like the sensible strategy for electric and telephone cooperatives to develop--to strive to become organizations owned 100 percent by their members, completely free of Government funding and Government control. That will take time, just as transition of farming to completely free markets will take time--but let's always keep the goal in sight.

Service must be the prime objective of any cooperative.

Go back to the beginnings and you will readily see that service-- self-help action by people working together--was the essence of the farmer cooperative movement. At first it was informal. Groups of farmers helped each other with barn raisings, threshing, or butchering. This was the base on which organizations began to take form. The Grange got started in merchandising, and in 1902 the Farmers Union had its origin in a small cooperative undertaking.

The great American Farm Bureau Federation grew concomitant with the growth and spreading out of cooperatives. The place of cooperatives in agricultural and agribusiness development was recognized by the Capper-Volstead Act. Farmer cooperatives are an established way of doing business in America-- they have their rightful and useful place in our competitive society.

However, no act of Congress, and no accumulation of wealth and power, can assure success to a farmer cooperative, whether we are talking about REA and telephone co-ops, credit organizations, farm supply firms, or marketing cooperatives. Especially is this true when we realize that controversy over the cooperative movement has always existed. People who do not believe in cooperatives seek to take away their special provisions and privileges.

This is a difficulty that farmer cooperatives have to live with, and can never afford to forget. Where there are smaller ones, with members working closely with management, their problems are better understood and their objectives are accepted with greater sympathy by the public.

Their problems and purposes often tend to become obscure as they grow larger, however.

Dangers can develop whenever the members of any organization worship its form rather than its substance. There's trouble ahead whenever the management of a farmer cooperative tries to substitute the balance sheet for performance, such as boasting of \$14 million in savings instead of having provided \$14 million worth of service.

Cooperatives should give in full measure for the advantages they receive.

It's quite true that under the law, and in keeping with the stated policy of the Department of Agriculture, farmer cooperatives are given certain advantages and important kinds of assistance. Our intention is to provide farm co-ops with all the know-how and encouragement possible--and in that regard, I assure telephone cooperatives in particular that we always can take special measures to deal with special hardship situations.

In return for the advantages they are given, farmer cooperatives owe their members, their communities, and the American public most of all, at least three important dividends: Service, innovation, and social leadership. Society expects something back--and the larger a cooperative organization becomes, the more it should give back.

When a farmer co-op gets big, its members need to make sure they don't lose sight of their reason for being--their original purpose. Cooperatives are another form of competition in the free pricing system. Too often, they think only of making money for their members. If any cooperative gets to the point where it dominates, throws its weight around, and focuses its energies on only the everlasting dollar, then it gets to where it doesn't serve. It begins to lose sight of its first purpose of producing dividends in service, innovation, and social leadership.

A cooperative monopoly in agriculture can pose just as great a threat to the family farmer, seeking to grow and improve his opportunities for income, as a conglomerate monopoly or a Government monopoly.

So I call on America's rural telephone cooperatives to keep up their innovative efforts, to go on increasing their service to the developing countryside, and nurture that most precious commodity of all--leadership.

I call on every farmer cooperative, of whatever type or variety, to guard against hardening of the arteries. Stay on the move--keep geared up to the times. The tasks ahead are tremendous--no less than the building of a new total environment of economic opportunity, cultural opportunity, health opportunity, and recreational opportunity in rural America. The rewards and satisfactions will, I am sure, be more than equal to the tasks.

Advance for Release, 6:30 A.M., EST, Feb. 23, 1973

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WILL WE OVERPRODUCE AGAIN?

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U.S. agriculture has entered a period of exceptional market growth--a fantastic record of \$11 billion plus in farm exports this year and continuing pressures at home for more meat, reflected in higher food prices.

All signs indicate that demands in this country and overseas for wheat, feed grains and soybeans will continue at high levels. To meet those demands, and to bolster the effort to help farmers earn more income from markets instead of depending on Government payments, we are calling millions of reserve acres into production this year.

Even as we do so, however, we hear concern expressed that perhaps we are putting too many acres into production. People remember how the supply situation was miscalculated in 1967 when we ended up with bigger crops than we could handle at good prices. Fresher in the memory of many is the 1971 corn blight situation and its 1972 aftermath of a huge harvest and lower prices.

Hindsight is always better than foresight, of course. There are always second guessers. After we know the outcome of decisions, it's easy enough to say where decisions went wrong--if they did prove to be in error. No Secretary of Agriculture, be he a Freeman, Hardin, or Butz, ever intended to put our agricultural community in a fix. Having said that, I want to emphasize in the next breath that I do not want American farmers to be denied the opportunity to sell one bushel of soybeans or a bushel of wheat or a bushel of corn at a good price simply because we produced too little.

Address by Secretary of Agriculture Earl L. Butz before the National Grain and Feed Association, Orlando, Florida, February 28, 1973, 9 A.M. EST

Much of our current agricultural success rests on demand increases which have been carefully aided by this Administration. There's no point in building demand if you can't deliver the supply. If foreign countries turn to us for the grain and protein feed they need, they've got to know that they can depend on us to produce. Our approach is to build markets, expand production, and increase farm income with better prices in the marketplace.

This is the wave of the future.

This is taking the offensive--not the defensive position of leaning heavily on Government and running scared.

So I want to assure you that we are offering farmers a greater opportunity to expand their acreage and to produce more, only after carefully analyzing demand and assessing the world situation. We firmly believe that the actions we have taken are sound. We do need more feed, more wheat, and more protein. We believe we can sell these products at good prices and that farm income can continue to improve with increased production.

Farmers like to produce. They are goers and growers. Most farmers have the technology and know-how so that they can expand acreage at less fixed cost per acre than they would incur if they were cutting back.

Professional people--analysts, economists, and others not with the Government--constantly look over our shoulders and give their judgments on what we do. They back their judgments with commitments of dollars. These people include commodity traders, exporters, and large domestic users of farm products. Some of them have good contacts with dealers and Governments all around the world. They make decisions which can make or lose them lots of money, based on how good their judgments are.

Every day you see their judgments reflected in the commodity exchanges--and the buyers and sellers who make prices on those exchanges are saying that farm prices will be strong again next year.

Let's take a look at some of the factors which went into the decisions to reduce set-aside requirements.

There is a worldwide protein feed shortage.

The shortage exists in spite of a 1972 soybean crop now estimated about 100 million bushels larger than the '71 crop. Demand for U.S. soybeans and meal is far outrunning supply in this 1972/73 marketing year, which extends to the end of September when the '73 crop becomes available.

The world protein shortage could be alleviated with a return to more normal oilseed conditions abroad, bigger fish catches off Peru, and a considerable increase in U.S. and Brazilian soybean output. Yet requirements for protein feed for the United States and exports are seen rising at the same time.

According to the preliminary estimate, U.S. farmers intend to plant 54 million acres of soybeans this year, up 7 million acres or nearly 15 percent more than in 1972. This is based on the January planting intentions report, adjusted for the zero wheat set-aside and for the January 31 modifications in the feed grain program. We are figuring an average yield of 28.5 bushels an acre; and, assuming we harvest 53 million acres, this would result in total production of 1.5 billion bushels. That's an increase of more than 225 million bushels this year over last.

On the demand side, use of soybean meal in this country is expected to increase by about 900,000 tons over 1972/73--an increase of about 7 percent. Cattle on feed are expected to be up 5 percent, hogs 7, broilers 4, turkeys 3, and layers up 1 percent. Our analysts also expect rate of feeding per animal to increase as well.

Use of soybean oil in the United States is expected to increase about 225 million pounds over 1972/73.

The coming year's exports of soybeans are anticipated to approach 600 million bushels, well over 100 million above 1972/73. About 100 million bushels of additional crushing capacity is being installed in the European Community, we are told, and about a third of the increased exports will probably go to Russia.

Despite rapidly rising soybean production in Brazil, where they are switching acreage from coffee to soybeans and could realize a crop of 150 million bushels in 1973, and despite the assumption that Peruvian fish meal exports will get back to normal, our analysts are concerned that we may not get enough acreage in soybeans this year.

The feed grain carryover is expected to drop by 25 percent.

It now looks as if the 1972 corn crop--even if farmers can ever get it all out of the field--will fall substantially short of demand during the current marketing year. Thus we expect corn carryover stocks to decline by 226 million bushels. Total carryover stocks of all feed grains are expected to decline from 48 million tons to 36 million--25 percent.

This is the situation in spite of the record 1972 corn yield of 95.5 bushels an acre and total production of 5.5 billion bushels. Not long ago, many people were worried that we had produced too much corn in 1972. That's how fast things can change in the dynamic agricultural scene.

During 1973 we expect corn growers to plant 7 million more acres and we are projecting production at 6 billion bushels, a new record. Farmers are seen planting a total of 127 million acres to the four feed grains--corn, sorghum, barley, and oats--and overall production is projected at 218 million tons or higher--up from 198 million tons last year.

Lest this forecast of increased output makes anyone feel uneasy, look at the demand side of the picture. A stronger demand for feed grains seems in the making for 1973. Drouth continues to plague South Africa, normally an important grain exporting country. U.S. farmers may well have an opportunity to help fill the demand that South Africa ordinarily meets. Australia is also having weather problems, while drouth conditions linger in India.

Data from the Soviet Union indicate that the Russians have maintained their livestock numbers, unlike previous times of shortage when they slaughtered many animals. There has been some decline in hogs, a drop of 5 million from January of last year to January 1973; but when the Soviets went through a similar feed shortage in 1963 they cut hog numbers by 30 million head. Soviet cattle numbers actually have increased 2 million head during the past year. It appears that the Russians are still serious about increasing the animal protein content of consumer diets in their country.

Total use of feed grains in 1973/74 is now projected to be about the same as 1973 production.

We anticipate only a small increase in corn carryover stocks in 1973/74-- and a small reduction in total feed grain carryover.

America's increased use of feed grains should climb to another record level as farmers continue to increase livestock and poultry. Total domestic use in 1973/74 is expected to increase by about 6 million tons, with about 90 percent of that increase being in corn.

How great an increase we experience in feed grain exports will depend heavily on the price relationship between wheat and feed grains in the world market--and on the proportion of wheat to feed grains which the Soviet Union chooses for meeting its overall import needs. Assuming a continuation of the abnormally wide spread of world wheat over feed grain prices, and

assuming that Russia turns mainly to feed grain imports rather than wheat, a total world trade increase of about 6 million metric tons can reasonably be expected again next year.

Our competitors in exports should be able to increase their shipments somewhat from the current year, but it seems likely that approximately half of the total increase in world import requirements will be met by U.S. farmers. U.S. export volume for the 1973/74 marketing year is expected to be nearly 3 million tons above the record level of 33 million short tons estimated for the current season. The higher shipments to the USSR will account for most of the projected increase in exports.

The wheat picture looks steady.

Carryover stocks of wheat at the end of the 1972/73 marketing year will total around 441 million bushels--the lowest level since 1967. This is a decrease of 422 million from a year earlier. Most of the decrease resulted from increased export sales in the present marketing year.

Last year's wheat production was 1.5 billion bushels, reflecting a harvested acreage of 47.3 million acres and an average yield of 32.7 bushels an acre. This year we estimate production at 1.7 billion bushels from 55 million acres with a yield of 32.2 bushels per acre.

Total supply--the year's production plus carryover--for the 1972/73 marketing year was 2.4 billion bushels, whereas total supply for 1973/74 is projected at 2.2 billion bushels. Hence, even though 1973 crop production is expected to be up by about 225 million bushels, total supply will be down by nearly 200 million bushels. We recognize, of course, that we are talking about a July 1972 carryover which would have been excessive had it not been for the abnormal demands from Russia.

Unfavorable weather last fall caused the Soviets to plant 17 million fewer acres of winter wheat than their planting goals called for. To date, there has been little snow cover over much of the Russian wheat growing area. The Soviets will try to make up for their short winter wheat plantings with heavier spring plantings; but even with that, Russian grain stocks are low and will need to be replenished.

Shipments by our competing wheat-exporting countries do not seem capable of much increase in 1973/74 in spite of the promise of continued good demand and above-normal world prices. Volume could even decline somewhat, owing to the low level of stocks in Canada, Argentina, and Australia.

Summing up for wheat; our exports are virtually certain to be lower--and the extent of the decline will depend heavily on whether there is a reduction in Soviet imports and on the relationship between world market price levels of wheat and feed grains. Allowing for a fairly sharp decline of about 10 million tons in total Soviet imports of wheat, and assuming a continuation of the abnormally wide spread between wheat and feed grain prices, U.S. export volume should be about 900 million bushels in 1973/74. That's still exporting at a healthy clip.

Use of wheat for food in the United States will not change a great deal next year from this year--it will remain near 525 million bushels. A drop is foreseen in use of wheat for feed, since the wheat price is much higher than that of corn and the other feed grains.

The year ahead will be a busy one for grain and feed people.

All signs point to increased activity, from production in the fields through turnover at the elevators to business volume at terminals and export points.

At this point in time, it does not look as if we should encounter serious over-production problems in either wheat, soybeans, or feed grains. With the kind of demand picture we are looking at, we dare not make a mistake on the side of scarcity. It's important to keep the forward momentum going.

Let us keep in mind, also, that the extent to which agriculture continues to share in the Nation's overall economic growth will depend to a large degree on how effectively inflation is controlled. Each year farmers use more purchased non-farm inputs. This is where inflation hurts them hardest. Inflation hurts farmers as much, if not more than, other segments of the economy.

It is imperative that we fight inflation and higher taxes by holding the line on Government spending--all across the board. While net farm income has increased sharply in recent years--31 percent, in fact, in the past four years--it could have increased even more without inflation. It is in farmers' interest, your interest, and the public interest that every effort be made to support the President's stand for fiscal responsibility in Government.

This is the time to gear agriculture to tomorrow's markets and tomorrow's profit opportunities. This is the time to forge farm programs that break clear of the attitude of regression, protection, and withdrawal that has existed for 40 years. This is the time for the farmers of America to seize the opportunity for freedom from Government controls and interference--and to move toward free operations in free markets.

Our challenge is to improve our competitive position. Our challenge is to develop a farm policy that will enable American farmers to deliver the goods wherever and whenever they are needed. Now, as never before, is the time for daring, imagination, and a revival of the spirit of '76--a spirit as youthful and enterprising in 1976 as it was in 1776.

Looking ahead in that spirit, it makes sense for farmers to produce more, to build bigger markets, and in so doing to expand farm income. Increased farm income is the name of the game. Increased farm income is the key to assuring a bountiful food supply for the people of America and millions overseas. Increased net farm income is my goal and the goal of this Administration.

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PAYING FOR BIG GOVERNMENT

The bigger government grows, the heavier the burden it puts on your backs and mine.

Twenty years ago, the Federal budget alone called for outlays of \$77 billion. Today it stands at \$250 billion--3 1/2 times bigger. Its growth reflects the soaring costs of national defense, the Vietnam War, the space effort, and the increasing number and higher costs over the years of proliferating social and welfare programs.

The trend becomes clearer when we consider the bite that government takes out of our Gross National Product--the total value of all goods and services produced by the economy. Twenty years ago, Federal outlays represented 17 percent of the GNP. Today Uncle Sam takes more than 20 percent.

Have you noticed how most States tend to follow the pattern of Federal spending and taxing? Twenty years ago, State and local governments took 8 percent from the Gross National Product. Today their outlays represent 14 percent--their rate of increase has been even faster than that of the Federal Government.

Therefore government in all forms chews up at least 34 percent of our GNP--and the trend is up. This compares with 25 percent 20 years ago, an increase of 36 percent.

Big government hits people where it hurts most--their pocketbooks.

This is income tax time. When you get your 1040 forms worked out, look at your withholdings and total tax. Perhaps it will remind you that everybody works for the Government. Even those who are not on the public payroll are working for the Government about one-third of the time, on the average.

Address by Secretary of Agriculture Earl L. Butz before the National
Newspaper Association, Washington, D.C., March 9, 1973

Citizens, especially those like you who report and discuss the news, must recognize that government outlays are continuing at higher levels than revenues. In only 4 of the past 20 years has the Federal budget called for a surplus. Thus the public debt has grown larger and larger as government has grown bigger and bigger. What concerns the President, and what should concern every citizen, is where will it all end?

The President is trying his utmost to prevent the 1973 budget from being exceeded. This budget year expires soon--on June 30--and the 1974 budget marks another increase to a \$269 billion spending limit. The President says it is a budget we can live with, without an increase in taxes, provided Federal spending is kept within bounds.

It's bad enough that big government devours a third of our economic output. It's bad enough that big government takes a third of people's earnings in taxes. What's even worse is the fact that uncontrolled government spending fuels inflation--inflation in turn drives prices higher and robs people of even more of their earnings.

The Administration's fight to curb inflation is its single most significant effort on the home front.

The vast majority of Americans want to see inflation and government spending restrained. They want no more tax increases--instead, they would like to see taxes reduced. They made that clear last November.

This is why the Administration deems it a "must" to hold the line on spending. With the 1974 budget, the Administration is making an all-out effort to uphold sound fiscal policies--policies that are right because they offer economic solutions, not political solutions, to the highest priority problems of the Nation.

I wish to give you the President's own words on this matter, and I quote:

"The way to hold the line on taxes is to hold the line on Federal spending. This is why we are cutting back, eliminating, or reforming Federal programs that waste the taxpayer's money...

"Such programs may have appealing names," the President goes on. "They may sound like good causes. But behind a fancy label can lie a dismal failure. And unless we cut back now on the programs that have failed, we will soon run out of money for the programs that succeed...

"The stakes are high. If we do not restrain spending, and if my recommended cuts are reversed, it would take a 15 percent increase in income taxes to pay for the additional expenditures." Unquote.

In those clear terms, President Nixon has stated the issue of the 1973 "Battle of the Budget"--we either make the cuts he has suggested, or taxes go up 15 percent.

The President has made his choice. Now the people must make their choice, and they must communicate their preference to their elected representatives in the Congress.

The President has identified 115 Federal programs for termination, reduction, or reform--in order to avoid a tax increase, while still providing responsible expansion of justified Federal activities.

The recent round of budget cuts can save \$11 billion in this fiscal year, \$19 billion next fiscal year, and \$24 billion the year after.

Without these savings, we would be forced to have a 15 percent tax increase.

The budget cuts were selected only after four years of frustrating, expensive experience in trying to make the Federal programs work for the people--and after an additional intensive study by the Office of Management and Budget.

All Federal programs were measured against this criterion: Would they justify a tax increase in order to pay for their continued operation?

The answer was "no" to 115 activities of the Federal Government.

The President's proposals, as could be expected, have generated loud protests and wild charges from the tiny special interests who had been favored with the narrow benefits from each of the 115 programs.

But the President has received strong support from all those whose interest lies in national economic stability rather than in the fate of one or more narrow interest programs for which insufficient public benefits can be shown.

True fiscal responsibility goes beyond Congress or the Administration.

In the final analysis, the financial integrity of America will depend most of all on people themselves. It will depend on economies in State governments and in States' use of Federal revenue sharing funds and grant money from the Federal Government. It will depend on civic and business leaders of your respective communities doing their part--even if it means a temporary sacrifice or a postponement of pet projects.

By holding back spending on Federal activities that are out of date, or of lower priority, or that have proved to be impractical and wasteful, we can postpone a 15 percent tax increase. We can postpone that sort of unpleasantness indefinitely, if we unite to hold the line on spending.

Some people view the present situation as a battle between the President and Congress. I don't see it that way. I regard it as a battle between big government, with costs running out of control, and the people.

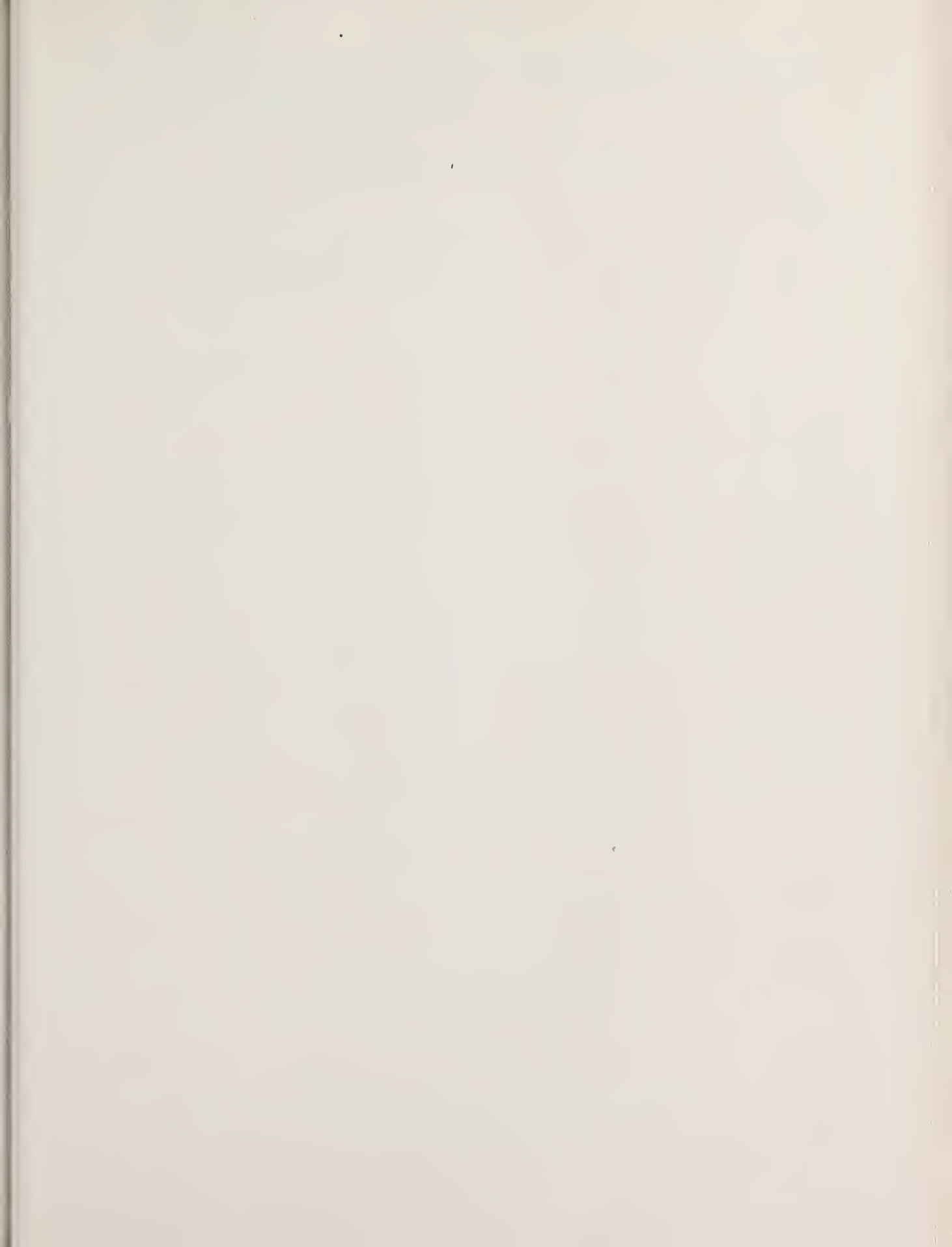
The stance for economy must be taken first at home--in the communities you represent. The fight against inflation--which is the saboteur of productivity on farms, in transportation, and throughout industry--is a fight that every last individual must wage.

Every segment of the economy--farmers, businessmen, and local communities included--will have to establish their own credibility if we are to succeed in influencing Congress to uphold the Federal budget.

Credibility can be achieved and maintained only by those honest enough with themselves to be willing to accept the same self-discipline that they advocate for others. Let us ignite that spirit now--today--before it's too late. Let it be a beacon on our way to new heights of national greatness.

Advance for Release 6:30 A.M., March 9, 1973

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BUILDING FOR A BETTER ENVIRONMENT

My aim as Presidential Counsellor for Natural Resources will be to keep administration and decision-making as close to the levels of expertise as possible. In Government, as in business corporations or public service organizations, the real expertise is not in the executive offices. It's out where work is done. It's out where staff meets budget meets project. It's out where the interest of people generates ideas and develops experience.

Our function will be primarily one of coordination--one of resolution in situations where you get the inevitable frictions at the inner surfaces that are bound to occur in Government. We have some people in agriculture, for example, who like the kind of pesticides they've been using. Russ Train has some people in the Council of Environmental Quality who don't like them. Somewhere those issues have to be resolved.

The general idea is to intercept and resolve problems of that kind before they become insoluble--and to engage in policy formulation and articulation in cases where policy cuts across departmental and agency lines, which is the case in the natural resources field.

As Natural Resources Counsellor, my philosophy will be that all of us must search ceaselessly for the solid ground between economic interests and environmental concern. We must forge a practical, common-sense, working partnership between man's technology and the ecology of nature.

Address by Secretary of Agriculture Earl L. Butz at dedication of the Laurel Ridge Conservation Education Center, National Wildlife Federation, Vienna, Virginia, March 16, 1973, 11 a.m. EST.

That kind of effort was well illustrated in the planning and construction of this splendid new Conservation Education Center.

It gratified me to learn from our USDA Soil Conservation Service that the Fairfax County Conservation District and National Wildlife Federation cooperated to assure that environmental values would be respected and maintained in the building of this Center.

Indeed, as we look over the grounds and note the care with which outdoor nature study facilities have been created, we can see that you of the Federation have succeeded in making a notable contribution here to the enhancement of the natural environment. I am convinced that the work done here in years to come, and the visitors you will have from all parts of the country and from throughout the world for that matter, will make beneficial impact on countless communities for environmental progress.

That is my expectation and my fervent hope, because it is quite evident that the American people have come to a stage of maturity where they recognize that our future as a Nation--and it could be, the very survival of that animal species known as homo sapiens--will depend on preserving and improving our treasures of land, water, fresh air, open space, vegetation, and wildlife. Hand in hand with that need, however, will be the urgency of producing more food, more power, more goods of all kinds to satisfy the demands of a growing Nation and world.

These goals need not be polarized or contradictory.

We have more answers to environmental problems than most people realize. Clean technologies are available and are being put into use. Many more will be brought to bear during this decade, which may well prove to be the Decade of the Environment. Society has been evolving toward the achievement of a viable economic-environmental balance.

In my own years of existence, for example, I have lived through three very interesting phases of American life. During the first 15 or 20 years of my life, we were essentially an extractive nation. When I was born, 45 percent of us were on farms in this country. We knew organic farming from A to Z and were so inefficient in producing food that it took nearly half of us to feed the rest of us, and then not very well. We had a high percentage of our people engaged in agriculture, mining, forestry, and fishing--in the extractive industries--in the sheer business of staying alive.

Country life in those days was a hard life, but it nurtured human values and social values that remain to this day as prized ingredients of our American heritage. We knew what neighborhood cooperation meant. We knew what self-reliance meant. We knew the value of a dollar. We understood that if you would have more, you must produce more. We learned to be in awe of the processes of life and reproduction. We had reverence for Nature's God and were proud to see Old Glory passing by in the Fourth of July parade. Those are virtues of the country life that America needs more of today.

Eventually, the Nation got to the point where we became fairly efficient in food production and extracting wealth from the earth, and we could spare manpower for other efforts. We evolved into essentially a fabricating economy. Beginning in the 1920's we started to manufacture automobiles and houses, refrigerators, home freezers, TV's, air conditioning systems--a surfeit of appliances and gadgets that we have come to take for granted.

Then, about 15 years ago, we shifted to what is essentially a service economy, in which the bulk of our employment is in service occupations. What are the services? Well, you are seeing one of them right now, because Government has been a big, growing industry, not only at the Federal level, but at the State and local levels. In addition to government, there has been growth in many areas--education, transportation, financing, entertainment, recreation, hairstyling, and the like. In much the same way that we became surfeited with material things, we now seem to be at the point where we are beginning to get saturated with services of all kinds.

All of which means that we are entering the fourth exciting phase of American life. The thrust of our social progress will focus on improving the quality of life on a broad front--in terms of recreational opportunity, in terms of aesthetic values, in terms of environmental protection, in terms of sheer enjoyment.

The question arises, can we afford it?

I ask a question in return: How can we not afford it? We are affluent enough, productive enough, and concerned enough that this, I am convinced, is the area where we are going to make the next big drive--improving the quality of life.

Problems of affluence and how to make the best use of leisure time are coming to the fore. Four-day work weeks and three-day weekends are more and more common. We have no choice than to dedicate our best talents and energies to improving the total environmental setting in which we live, work, and relax.

Having said that, let me emphasize in the next breath that I firmly believe that resources are to be used--used intelligently, as safely as we know how, as economically as possible--but to be used. One of the most short-sighted attitudes I can think of in a society like ours is to subscribe to the belief that there is something inherently good about conserving just for the sake of conserving.

There are those who call for zero economic growth, zero population growth, and minimal energy growth. They condemn our hard-won technological leadership. I am well aware that we exist on a fragile planet with finite resources, but I am compelled to reject their point of view.

This Nation, coming into the last quarter of the 20th Century, cannot cope with its challenges by turning its back on the advances of the past 50 years. To cite an example that is close to my heart by training and background, we can no more revert to farming methods of 50 years ago than we can afford to go back to horse and buggy travel or lighting our homes with oil lamps.

We must seek responsible balance in our environmental thinking and environmental actions.

Whether we are debating ways to expand beef production or the siting of a power plant, it seems to me that the rational course for mature people to take must be to seek an optimum balance between benefits and risks. Without doing more harm to the environment, without endangering animal species including our own, we must go on modifying the environment to our use--with full awareness of the risk level involved.

Nobody is completely safe. You don't insure your car for all you should insure it for. You carry some of the risk yourself--you can't afford full coverage. Nobody in this group here today insures his life for all it's worth--if you did, you'd have nothing to spend on anything else. The same principle holds for resource utilization--we must strive for an optimum risk-benefit ratio.

Conservation organizations, such as the National Wildlife Federation, that really serve the best long-time interests of America and its citizens, are the ones that take an intelligently balanced view of the problems and opportunities that lie before us.

Intelligent citizens and their organizations understand that government in this day is likewise largely a matter of achieving balance, of reaching a workable compromise, of putting priorities in the proper order. The aim of an organized society--the purpose of the kind of government we have, the purpose of the body politic, the purpose of our whole social structure--is to maximize the welfare and satisfaction of human beings. Let's remember that--and let's remember we have to use some resources to do the job.

To master our environmental destiny, we must first rebuild our national economic integrity.

The over-riding issue for all Americans at this particular point in time is to bring the Federal budget into balance, curb inflation, and avoid a rise in taxes. The cost of programs for wildlife habitats, pollution abatement, and environmental improvement will soar out of reach if fiscal irresponsibility leads to another round of inflation.

Within the Federal Government, the President has designated 115 programs for termination, reduction, or reform in order to keep Federal spending within bounds while at the same time providing responsible expansion of justified Federal activities. Some of the cut-backs affect farmers; some affect conservation efforts. They range across a broad spectrum of Federal agencies and programs.

As I am sure you are aware, this "Battle of the Budget" over the President's effort to hold the line on spending has been described as a battle between the President and the Congress. I disagree. I look on it as a battle between Big Government with costs out of control, and the people. In some respects, the Congress seems to be in the middle. One thing is for sure, however--in this battle, the President is on the people's side.

We can ride out the storm--we can put the Government's financial house in order--we can move forward as a Nation to greater achievements in world affairs, domestic prosperity, and environmental progress--provided each of us gives the President the support he needs and so well merits.

Let that be our resolve today as we dedicate this splendid new Laurel Ridge Conservation Education Center--marking a giant step upward toward attaining a better physical environment for all Americans to enjoy.

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Advance for Release at 6:30 A.M. EST, Friday, March 16, 1973

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FOOD, FARM PROGRAMS, AND THE FUTURE

We meet at a time of concern about food prices--a concern which I share deeply.

This is also a time of concern about inflation. It is a time of concern about the financial integrity of our Government. It is a time of concern about international trade and balance of payments. All these matters are interrelated.

The problems of food costs, farm prices, inflation, fiscal responsibility, and trade also bear on another paramount concern--the very future of American agriculture.

We have come to a hinge point in history. Never before has this Nation's agricultural community confronted the growth opportunities that it faces right now--opportunities to grow and prosper as markets expand at home and abroad.

We are at a hinge year in farm policy and farm legislation. We have an unequalled opportunity to step boldly into the future and break with the past.

With new programs that gear farm productivity to growing worldwide demands, all the people in this country, all the consumers in this country, will stand to gain. Let me say that again for emphasis. Farm programs that move agriculture in the direction of expanding markets will benefit--directly or indirectly--every American. We should not lose sight of that fact.

Address by Secretary of Agriculture Earl L. Butz, National Press Club,
Washington, D.C., April 3, 1973, 1 P.M. EST

For 40 years, U.S. farm policy has been largely oriented to an inward kind of philosophy, an attitude of regression and withdrawal, programs that too often treated agriculture like a problem child. All too often these programs tied farmers closely to what they had planted in the past and these programs often relied on strict production controls.

The old programs built up surpluses that hung over our markets; they depressed prices; and they made us less competitive overseas. They ran up subsidy costs--originally designed to relieve depression conditions of four decades ago--which have become onerous to urban taxpayers.

We have been moving away from these restrictive programs. Right now, with Congress working on legislation to replace the expiring Agricultural Act of 1970, we have a rare opportunity to move farther and provide farmers with the kind of agricultural structure they need in order to produce for changing and growing markets, at home and abroad.

Whether in manufacturing or agriculture, a plant operating at 80 percent capacity is a higher-unit-cost operation than one that runs at fuller capacity. For too long the United States carried the cost of excess agricultural capacity. The chance to operate our agricultural machine at a much fuller capacity is now within grasp. We are at a point where strong prices times increased production can equal more income for farmers and more food for consumers.

In the very process of expanding to meet growing demands, farm production will bring down average unit food costs. This is why the goals of high farm income and reasonable food prices for the people of this country are fully consistent.

Farmers are today putting in an all-out effort to fight inflation. They are freeing up 43 million more acres for farm production this year. Our meat producers are standing naked before the competition of the world, with no quotas on meat imports; and they are ready to give up even the modest 3 cents per pound tariff on beef and veal and the 2 1/2 cents per pound tariff on mutton.

Farmers are tackling inflation by continuing to increase their productivity per man-hour at twice the rate of increased productivity in industry.

Already there are 8 percent more beef cattle in the feedlots and 6 percent more baby pigs than a year ago. The meat is in the pipelines and will be coming to market in the months ahead.

Farmers are taking their cuts in Federal program spending--in the interest of budget and inflation control, and to keep taxes from rising.

Farmers are in the forefront as inflation fighters. During the 1950's farm people worked for an average income that was 46 percent less than the average income of non-farm people; during the 1960's farm people worked for 33 percent less than non-farm people; and even last year--the best farm year in a generation--farm people still worked for 17 percent less than non-farm people.

While average industrial wages were going up every year for 20 years, 1952 to 1972, for a total increase of 140 percent, food prices were rising 47 percent--thanks in a large measure to the fact that farm prices rose in only 10 of those 20 years, for a total increase in farm prices of 12 percent.

Industrial wages rose an average of 7 percent a year over the last 20 years; farm prices rose an average of six-tenths of 1 percent a year. This slight, almost inconsequential rise in farm prices has been a major contribution to inflation control for 20 years.

If food prices had gone up as much as wages during the last 20 years, a loaf of bread would now cost 38 cents; a quart of milk, 55 cents; a dozen eggs, \$1.61; and hamburger, \$1.51 a pound.

Last week, AFL-CIO President George Meany said that labor is "prepared to sacrifice as much as anyone else" in combatting inflation. "But," he said, "workers will not sacrifice alone." Mr. Meany said, "There is no way union members are going to let their unions settle for a wage increase that won't even pay for their increased food bill."

I welcome you, George Meany, into the club along with farmers, to fight this battle against inflation; and farmers accept your challenge to sacrifice as much as anyone else.

Your unions have achieved wage increases that far outpace the rise in the price of food. Average wages per hour in America are nearly 2 1/2 times higher than 20 years ago, while food prices are less than one-half higher than 20 years ago. Food prices have gone up; but the paychecks of union members have never before bought as much food with a dollar of take-home pay in the history of this Nation. This increased food purchasing power of the worker's paycheck is as it should be; but let us keep the record straight in this matter.

I challenge all workers and union leaders in America to root out inefficiencies wherever they are, and become more productive--just as farmers are working daylight to dark to become more productive in this critical period.

I challenge you to root out inefficiencies in food processing and distribution, the part of the food business which today chews up about 60 percent of the consumer's food dollar. In this way you can do something directly to bring food prices down.

I say to the working man of America: You can do something about high prices. You can do something about the crisis in the international balance of payments. You can do something about the conditions that are bringing more goods into this country than America can sell abroad.

America is simply being outproduced, and underpriced, and outperformed in the world markets where foreign industrial products frequently are better than ours. You, the workmen of America, can do something about that. You are the makers of those goods that say "Made in America." You, tomorrow on your job, can do something, as small as it may be, to make those goods better, more efficiently, in greater quantity, and with better quality.

You, your skill, and your pride, can make that "Made in America" label mean a better product at less cost. And everything you do, in your own way, will help lower our prices; will help our balance of trade; will strengthen our Nation; will make our goods more competitive; will reduce the cost of equipment and supplies that farmers buy, and hence will lower food prices; and will make you better off in what you buy and how much you can buy.

Your pride, your work, your dedication, can make America a more prosperous Nation for the working man and for all citizens as you personally help the dollar buy more goods.

To the housewives of America, I say: Take another look: Inflation has raised the cost of your food. Bigger spending by Congress has broken the Federal budget; the resulting budget deficits have fanned the fires of inflation; inflation, in turn, has raised your prices; and this is what has broken your family budget.

Housewives who are boycotting food: Take your placards and your signs, take your pickets and your lines, take your microphones and march to the doors of Congress. There you will find those budget breakers, those spenders those fiscally irresponsible people who have raised the prices of your grocery cart--raised the prices of your family car--raised the prices of your medical care--raised the levels of your rent--raised the level of your interest rates--and raised your taxes. Unless these spenders are sobered by your uprising, they will raise both your costs and your taxes once again.

Just as you housewives practice selective shopping at the grocery store to get your family's nutrition at a price that you can afford, it is time for you, the housewives of America to march to the doors of Congress; point the finger at those budget-breaking Congressmen who are responsible for fanning inflation; and start being more selective about shopping for fiscally responsible Congressmen who will get you the government that you can afford.

Take stock, businessmen of America: The transportation system of this Nation has become ensnarled in a gigantic tie-up of inefficiency. Our farm products are sitting restlessly on farms, piled up at elevators and warehouses, waiting to move to markets that need and want them. Farmers across the land are ready this spring to move into fields to plow and plant and produce. But they are short of fuel, short of fertilizer, and short of supplies because of lack of transportation.

I say to the railroads of America: Give us the cars. Break the log jam. Get farm supplies and our farm products moving again. Perform, as you have never performed before. Find those cars that are setting on sidings for days at a time, unused, unproductive, with wheels arest. Hook them up and move them, railroads of America. Get this Nation on the tracks again.

Rise to the challenge, businessmen! The competitive conditions that have led to a relative increase in the imports of foreign goods are not going to go away. You can either attempt to hide behind restrictive trade legislation that would let you exist in an artificial world that breeds inefficiencies, or you can buckle up and find ways to become more productive and more efficient, turning out products that are more competitive. It is time to cut down on excesses, sharpen practices, manage better, and become more creative.

Let's pitch in, America! As we move into a peace-time world, and turn our attention more to our domestic problems, we should not be housewives against farmers, or farmers against labor, or labor against business.

We should be Americans for America, standing side by side, attacking inflation, raising our productivity, trimming our Federal budgets, eliminating unworkable public programs, and working together for the good of all.

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SEEKING THE BALANCED APPROACH

During my 16 months as a member of President Nixon's Cabinet, I have been deeply impressed by the President's common-sense, down-to-earth efforts to achieve a balanced approach to the great problems that confront America on both the domestic and international fronts.

You see this philosophy demonstrated in a variety of ways--whether we are talking about our relationships with other nations, our agricultural programs, the budget issue, or our utilization of natural resources.

A noted woman historian took part in a recent discussion of how the history books of the future will assess the achievements of the Nixon Administration, 50 years from now. She predicted that four simple words will best summarize Richard Nixon's place in history: "He went to China."

He went to China. Those four words capture the spirit of initiative, of imagination, of courage that President Nixon personified by opening the door for America to that land where one-fourth of the world's population lives.

For year after year, the United States conducted its international affairs as though the teeming millions of people on the mainland of China didn't exist. During those years, ignorance and distrust and antagonisms were allowed to build up--on both our side and on their side of the bamboo curtain. What a ridiculous situation that was, and how fraught with potential trouble!

Address by Secretary of Agriculture Earl L. Butz, Water Resources Congress, Washington, D.C., April 5, 1973, 12:30 P.M. EST

With President Nixon's historic journeys to Peking and Moscow, and with the vital follow-up work now taking place, America has gained a new, healthy balance in her international posture.

It is already paying significant dividends.

The grain sale negotiated with the Soviet Union increased income for U.S. farmers by at least \$1 billion, for example, and saved our taxpayers a net \$200 million in grain storage costs. Of far greater importance, however, the trade breakthrough with the Soviets and Mainland Chinese is tapping huge new overseas markets which are certain to make American agriculture a dynamic growth industry for years to come.

We are at a hinge point in the history of U.S. agriculture, and we are at a hinge year in farm legislation. With new programs that gear our farm productivity to growing worldwide demands, all the people in this country--all the consumers in America--will stand to gain. Gains will accrue in rural prosperity, in agriculture's contribution to our balance of trade, and in stepped-up economic activity and employment as we bring our agricultural capacity into maximum production.

To keep the momentum going, we need a balanced approach to new farm programs--programs that gear our agricultural output to growing markets at home and abroad. For 40 years our farm policy went overboard in the direction of caution and withdrawal--programs that treated agriculture like a problem child. They were programs that tied farmers closely to what they had planted in the past--programs that ran up subsidy costs which have become burdensome to urban taxpayers.

At this moment, as we are working with Congress on legislation to replace the expiring Agricultural Act of 1970, we have a rare opportunity to break with the past, to move away from the old restrictive programs, and to create the kind of agricultural structure farmers need to make the best advantage of the opportunities that lie ahead.

The same philosophy of balanced approach needs to be applied to the many questions that you deal with as members of the Water Resources Congress.

My function as Presidential Counsellor for Natural Resources will primarily be one of coordination--one of resolution in situations where frictions inevitably develop at the inner surfaces within a governmental structure as large and diverse as ours. The general aim is to intercept and resolve problems before they become insoluble, and to engage in policy formulation and articulation in cases where policy cuts across departmental and agency lines. This often happens in the natural resources field, as you know.

My aim also will be to keep administration and decision-making as close to the levels of expertise as possible. In Government, the same as in business corporations or public service organizations, the real expertise often will not be found so much in the executive offices as out in the field where the work is done. It's out where staff meets budget meets project.

As Natural Resources Counsellor, my philosophy is that all of us must search ceaselessly for the solid ground between economic interests and environmental concern. We must try to forge a practical, common-sense, working partnership between man's technology and the ecology of nature.

The last few years have produced ample evidence that the American people have come to a stage of maturity where they recognize that our future as a Nation--if not the very survival of that species known as homo sapiens--will depend on preserving and improving our assets of land, water, fresh air, open space, vegetation, and wildlife.

Hand in hand with that need, however, will be the urgency of producing more food, more energy, more goods of all kinds to satisfy the demands of a growing Nation and world.

In my own lifetime we have progressed from a predominantly extractive society through a fabricating and manufacturing economy and into the so-called "post industrial" era where more people work in services than in producing things. Our greatest domestic problems are now problems of affluence--problems of affluence that take such visible forms as pressures on meat prices, for instance.

One of the troubles of an affluent society is not so much the high cost of living as the cost of living high. Our processing and supermarket costs--higher overhead, parking space for shoppers, the luxury of air-conditioning, the convenience foods with kitchen work already completed and built in to the retail price--these are all part of the food cost picture. The mark of an affluent society--when you pay more for the package than what's in it!

This affluent society of ours has growing concerns about how to preserve our natural treasures, how to make most fruitful use of our increased leisure time, and how to improve the quality of life. These are valid concerns. We have no choice than to dedicate our best talents and energies to improving the total environmental setting in which we live, work, and relax.

Having said that, let me emphasize in the next breath that I am convinced resources are to be used. They should be used intelligently, safely, and as economically as possible--but they should be used. One of the most short-sighted attitudes I can think of in a dynamic society like ours is to believe there is something inherently good about conserving just for the sake of conserving.

I'm well aware that there are those who call for zero economic growth, zero population growth, and minimal energy growth. They condemn our hard-won technological leadership, and warn that we exist on a fragile planet with finite resources. I reject their point of view.

This Nation, entering the last quarter of the century, cannot cope with its challenges by turning its back on the advances of the past 50 years.

We can no more revert to farming methods of 50 years ago, for example, than we can afford to go back to horse and buggy travel or oil lamps for lighting our homes.

We must move forward--and as we do so, we must seek responsible balance in our environmental thinking and actions. Whether we are debating ways to expand beef production or the siting of a power plant, it seems to me that the rational course for mature people to take must be to seek an optimum balance between benefits and risks. Without doing more harm to the environment, without endangering animal species including our own, we must go on modifying the environment to our use--with full awareness of the risk level involved.

Organizations such as the Water Resources Congress, which really aim to serve the best long-time interests of the American people, are the ones that take an intelligently balanced view of the problems and opportunities that lie ahead. I am sure, for instance, that all of us will need to scrutinize most carefully the pros and cons of the upcoming report of the National Water Commission--to look beyond its many recommendations and assess their long-term impact.

At this time of agricultural transition to an era full of promise for growth, it is imperative that the people of America and their representatives in Congress understand the tremendous contributions which irrigation farming will be making to increased agricultural productivity, hence to greater U.S. economic activity.

As we think of the nearly 50 million additional acres we are putting into crop production and grazing this year--as we see nations all around the world demanding more U.S. grain and soybeans--we realize also the growing importance of developing a sound land-use policy and guidelines for regions and States.

It's imperative that a sound, balanced, workable policy be worked out soon--and in the process, we need likewise to develop a long-range water-use policy.

The needs to plan for both land and water use are inseparable--the two go together--we can't have one without the other.

The rising worldwide demand for more food--and for food of more nutritious, protein content---tells us quite clearly that as land-use and water-use plans are formulated, this Nation and all its 50 States must guard against the further loss of prime farm land, and the precious water required to make that land produce more abundantly. I say to the reservoir builders, just as I say to the highway builders, the airport builders, and the power plant builders: think twice, then think again, before you pre-empt acres that produce the very substance of life--the food without which we cannot survive.

Intelligent people realize that government in this country is largely a matter of achieving balance, of reaching a workable compromise, of putting priorities in the optimum order. The aim of an organized society--the purpose of the kind of government we have, the purpose of the body politic, the goal of our whole social structure--is to maximize the welfare and satisfaction of human beings. To do the job, we must use the resources we have--and we must be willing to pay the cost.

Invariably someone asks, can we afford it? I ask in return, how can we not afford it? I have spoken of the risk-benefit balance we must seek to achieve in our use of resources. During the years ahead, water users like land users and energy users will also need to give greater attention to the equally urgent cost-benefit factor. The millions on millions of dollars that industrial, agricultural, and municipal users of water are investing in anti-pollution measures represent a vital investment in America's future. The cost burden may be heavy; it may get heavier; but it helps balance off decades of abuse of our lakes, streams, and oceans.

Some 400 years ago, the philosopher Montaigne wrote an inscription for his personal library in Bordeaux with these words: "I do not understand; I pause, I examine."

As I review events of the past 2 years, I think we might well follow Montaigne's example. I welcome the opportunity to meet with my fellow agriculture ministers -- to pause and examine some of the questions that affect our nations and our joint efforts within the Organization for Economic Cooperation and Development.

Montaigne lived in a turbulent era -- a time of reformation and counter-reformation. But we are in a period of some tumult ourselves. We are living through a historic transition in Europe, the full emergence of Asia as an economic force, a rebirth of trade between East and West, and a time of searching by underdeveloped areas for full membership in the world economy. This is all complicated by a long overdue adjustment in the world monetary system. It is made more difficult by world inflation produced by a demand that is burgeoning and supplies that, for now at least, are limited.

But the changes we are seeing are by no means temporary or superficial -- they are fundamental and far-reaching. If we are to manage these changes -- and benefit from the new systems created -- we must move now to question the old verities and the old shibboleths. We feel that we are doing this in the United States. We are making policy changes that respond directly to new forces. I would like to discuss some of the changes we are making -- to satisfy domestic demand, to respond to current world needs, and to foster trade.

Statement by Secretary of Agriculture Earl L. Butz at Ministerial Meeting of the Agricultural Committee of the Organization for Economic Cooperation and Development, Paris, April 11, 1973.

We Are Expanding Supplies

In the last few months, we have taken a number of strong actions to expand U.S. production of soybeans and grains and to move into use those commodity stocks carried over from past crops.

*In order to meet current needs, we have returned to the market grain stocks controlled by government. Between government-held stocks and farmer stocks stored under price support loan, we have moved into the market more than 600 million bushels of wheat and 1200 million bushels of feed grains.

*In order to meet future needs, we have freed our agriculture from acreage restraints. This will result in the largest one-year acreage increase in modern history -- an increase of at least 25 million acres in 1973 plantings.

*We have terminated all export subsidy programs so that today we have no current program to sell commodities abroad at prices below the purchase price at home.

*We have acted to expand livestock supplies. The voluntary restraint program on beef imports is no longer in effect. We announced that grazing and forage harvesting would be permitted on land set aside under the wheat and feed grain programs this year. The government is moving to obtain authorization to remove the modest import duties on meat.

Toward a Market-Directed Agriculture

These actions, taken within a period of 6 months, are part of a longer-term movement away from controls and toward a greater reliance

on market forces in U.S. agriculture. The Agricultural Act of 1970 eliminated commodity-by-commodity acreage restrictions on wheat, feedgrains, and cotton -- giving our producers greater freedom to respond to market demand. And they are responding.

In 1971 -- the first crop year under the current Act -- about 90 percent of U.S. farmers were farming in ways that would not have been possible under the tighter regulations of the old law. By 1972, we estimate that 95 percent of U.S. farmers had made such adjustments, responding to market demand by shifting to those commodities they produce most efficiently.

The result is that in 1971 farmers shifted about 60 million acres. In 1972 they shifted more than 70 million acres, an amount equivalent to almost one-fourth of the acres cropped that year. These shifts have resulted from farmers responding to the signals of the marketplace -- and were possible because of the freedom provided in the 1970 farm act.

Soybeans are a good example. The program changes of 1971 and 1972 -- plus the recent changes announced for 1973 -- have brought a substantial rise in the number of acres planted to soybeans. Last year, plantings were increased by 3 million acres over the preceding year. This year, we are likely to see an additional 7-million acre increase in soybean plantings.

This year's expansion from 47 million acres of soybeans up to 54 million acres should result in a dramatic one-year increase in protein production by the United States. It represents a response to demand, and is encouraged by legislative and executive actions to clear away certain restrictions.

The Agricultural Act of 1970 expires at the end of this calendar year. We are looking to the Congress for new legislation that will contain the objectives of the current Act, but with certain changes. Essentially, we have recommended that Congress:

1) Discontinue, over a 3-year phase-out period, the program of income supplement payments -- payments used to make up the difference between market price and a higher price objective.

2) Continue adjustment payments for the set-aside of acreage, but establish a new cropland base. The set-aside requirement each year, when needed, would be a percentage of the cropland base for each farm, rather than a requirement based on a complicated and outdated system of allotments and bases for each crop.

Certain Principles Are Involved

I think you will recognize that when the United States moves so strongly to expand production, as we are doing this year, we are making a substantial commitment to the future. We do this in the knowledge that certain national and international forces are at work -- forces that will inevitably influence the breaking down of archaic production and trade systems.

We do this in the belief that certain principles are valid and can be relied upon to guide us in producing for future markets in the United States and around the world.

I would enumerate these principles as follows:

1) The market provides a better basis for production and marketing decisions than a system of government guarantees that distort farming patterns geographically and hinder agriculture's ability to respond to consumer needs.

2) Individual farmers, acting freely in their own interest, will adjust production in ways that maximize their incomes and improve the ability of agriculture to compete at home and abroad.

3) National economies benefit from a liberal trading system that permits producers to respond to growth in global demand -- and to the changing appetites of the world's consumers.

4) It is inevitable that government costs for supporting agriculture will be under political pressure to be reduced in countries where populations are becoming more urban and less rural.

We see a basic consistency between our approach to domestic agriculture and goals in international trade. The idea of freeing American agriculture to produce is entirely consistent with our desire for a liberal trade system that permits American agriculture to compete. We believe that these goals are in harmony with the pressures for improved living levels around the world -- and the desires of nations to combat inflation. We believe that these forces are much in evidence in this particular year, as nations reach out to each other for help in supplying the needs of people.

Increasing Interchange Among Nations

Never before have we in the United States been so impressed with the increased reliance of nations on each other; there is growing economic interchange as nations seek to meet the needs and desires of their people.

Never have so many nations come to the United States to tell us that they are counting on us for agricultural commodities -- for wheat, for feed grains, for soybeans, for cotton.

Many of these are old customers, and some are old customers who at times have acted to keep our commodities out of their countries. Some of our friends who a short time ago were seeking trade restrictions have now reversed themselves and are looking for assurances of supply.

But not all this increasing interchange is with traditional customers. In recent months, the Soviet Union and the People's Republic of China have come to the West for surprising quantities of grains, soybeans and cotton. Even in the light of weather problems, it is highly significant that nations have found it advisable to take such strong measures to satisfy consumer demand for better living, especially in terms of more animal protein in the diet.

We are seeing a continued and rapid growth of the Far East as a commercial market for agricultural products. In fact, we in the United States find it hard to realize that a market as rich as Western Europe -- along with America the most prosperous in the world -- is no longer our leading growth market. It is on the verge of falling behind the Far East as a market for U.S. farm products. This is something to contemplate after 350 years in which Europe was our most important trading partner in agriculture.

All in all, this year will see a record level of world trade in agricultural products -- close to \$55 billion compared with only \$45 billion as recently as two years ago. Moreover, the overall growth in world demand

is quite apart from the temporary needs created by last year's bad weather in Eurasia. Economic growth and rising personal incomes around the world are being translated into effective demand at a rate that is difficult to comprehend and impossible to predict. To a considerable degree, these forces are reflected in an increased demand for livestock and poultry products -- a demand that the world is currently not able to satisfy. As a result, we see strong upward pressures on the prices of livestock and poultry and on the grain and protein feedstuffs that are basic to expansion in the animal sector. Dairy is an exception, as my European colleagues well know.

Our Common Problems

As ministers of agriculture, we face a number of common problems.

To begin with, inflation is a factor in most industrialized countries and in some developing ones. At the same time, there is an extremely strong demand for food as economies boom and personal incomes rise. The result is that consumers are bidding up the price of food -- especially certain of the most popular items.

In the United States, for example, we are eating more meat than ever before. We are eating almost twice as much beef per person as 20 years ago. And we are bidding up the price -- in stores and in eating places. This rise in beef prices has occurred despite the fact that beef supplies in the first quarter of this year were above what they were in the same period a year before. Moreover, our beef producers are once again responding to demand. After more than doubling production between

1952 and 1972, they are expanding their cow herds again this year to meet the desires of consumers for more beef in their diets.

Consumer power is real. Never before have we seen and felt the power of the consumer as we do today. We feel those pressures every day, and I am sure that you as agriculture ministers know what I am talking about. I am aware of some of the actions taken by the European Community, and by non-Community nations as well, to encourage imports of beef and other livestock products, and even to limit exports. This is the power of the consumer at work.

On the other hand, there is a worldwide decline in the number of farmers -- most apparent in the developed countries. My colleagues tell me that in years past the agriculture ministers of the OECD nations have made much of the number of people they have on farms and the resulting need to maintain old systems that protect those farmers. But let me point out that the trends in developed countries are making that argument obsolete.

In the United States we had 5.5 million people in the agricultural labor force in 1960 -- out of a total civilian employment of almost 70 million people. But by 1970 our agricultural employment had fallen to about 3.5 million.

This is not just a U.S. phenomenon -- far from it. It is apparent in virtually every member country of the OECD. In the 10 years between 1960 and 1970 the agricultural labor force in France declined from 4.2 million to 2.9 million. In Germany the number declined from 3.6 million to 2.4 million and in Greece from 1.9 million to 1.7 million. In Italy, the agricultural labor force fell from 6.6 million to 3.7 million,

in Spain from 4.9 million to 3.7 million, and in Japan from 13.4 million to 8.9 million. I am citing OECD figures.

It is apparent then that in most countries agriculture as a direct numerical political force is declining in strength. This does not mean that farmers will not continue to exercise a voice. They will continue to be influential; they will continue to draw the support of many non-farm interests and many non-farm legislators who realize the importance of stability and fair incomes for agriculture. Nevertheless, the downward trend in farmer numbers casts a serious question on any policy designed to preserve old forms and old patterns in the agricultural structure.

Let Us Examine These Systems

We need to examine these systems, yours and ours. Why should any protective system be sacred in a world that is moving closer together? Why should we regard our Section 22 controls as inviolate? Why should the European Community insist on sanctity for its system of variable import levies? These are questions that should be raised -- for many reasons.

We have learned that protection fosters the uneconomic use of land. In many parts of the world, farm real estate values are much higher than they are in the United States -- even in the American Midwest. These high values increase production costs; moreover they are evidence that much of this property is no longer valued as agricultural real estate, but rather for its potential in other uses. Average values in West European countries range from 2 to 10 times the American average. Japanese real estate values are 14 times what they are in the United States. In 1971, cultivable land in France was reported to average 8050 francs per hectare, which was almost four times the average value of U.S. farm real estate.

We have learned that such devices as minimum import prices and trade preferences are costly to consumers and limiting to demand growth. We continue to be concerned about trade distortions resulting from EC policies on grain, tobacco, citrus and certain other commodities.

We have learned that protection at the border creates a desire for protection within borders. We have learned that protective measures tend to prolong themselves. It is strange to us that, at the very time that the world is short of feedgrains, the European Community's import levies are just as high on corn as they were one or two years ago. It is strange, too, that in a world of growing demand, consideration would be given exporting grains at prices far below the exporter's cost.

I have always been concerned about export subsidies -- and the tendency for countries to justify their use on grounds that others are doing the same thing. As I mentioned earlier, we in the United States are now free of export payments, and in a recommendation to Congress we have proposed a phase-out of our income supplement payments. For some years, my colleagues in Europe have argued that producer payments used within the United States are in effect export subsidies. Without arguing that question, I can assure you that on both counts we are moving strongly in favor of the market system.

In my country we are impressed by the fact that -- after 40 years of support and adjustment programs for the field crops -- the animal sector of our agriculture, largely free of price supports, is the biggest income earner. Year after year, livestock products account for well over half of cash receipts from farm marketings in the United States. Last year, the proportion was 59 percent. In Europe, livestock prices are higher than they are in the United States, which reflects a strong demand for livestock

products in European countries. We face that kind of demand, too, and we are adjusting our system to meet it. Some of the actions enumerated in the beginning of my paper are moves in this direction. In some countries and areas, however, such adjustments are inhibited by price and trade disincentives.

We do not question the right of nations to support their own farmers in their own way. We cannot dictate to each other the programs by which governments choose to assist disadvantaged groups. We cannot expect changes to come overnight. But we should question the wisdom of programs that distort trade advantage. We should not insist on devices that say: I have to have quotas; I have to raise levies.

The Future Course

I might say to you that in the United States our course is set. We are committed to a policy of expanding production to meet a demand that is real and will continue to grow. We are responding to the pressures of a world that wants to live better -- and do so within a realistic cost framework. I believe that you are feeling pressures that are similar although perhaps not as intense. And I submit that these economic forces are just as important to you as they are to me -- or they soon will be.

How can we fail to respond to the increasing interchange between nations that is so evident this year?

How can we fail to take account of the importance of consumer desires that are so evident this year?

How can we fail to heed the pressures for elimination of import restrictions wherever they occur?

What better evidence could we have of the potency of these forces than we are seeing this year? The booming trade. The entrance of new customers into the world market. The high commodity prices. The extraordinary demand for beef. The crumbling of import controls for many of these items.

It would be a tragedy for the world to lose the gains it has made. It would be a tragedy for the United States to return to rigid programs of acreage control. It would be a tragedy for other nations to reverse the changes they have begun in response to the desires of their peoples.

Inevitably, I believe, those systems that artificially frustrate those desires will bend and crumble. This may take some time, but consumers will have a stronger voice in what they want and need. This will happen more rapidly than we realize, because the world has historically underestimated the growth in people's needs and desires -- and their determination to satisfy those needs and desires.

If systems of protection are really vulnerable, which is my argument, then the only question remaining is: Why not alter those systems ourselves -- before they come down around us? Let us manage this change ourselves, in ways that promote an orderly expansion in world trade.

Some of you may ask the question: Why do you continue to push for liberalization of trade and agriculture when your own exports have grown so remarkably. My first answer is a philosophical one -- that this is the right thing to do. Just as mankind yearns for peace in the world, he also yearns for closer personal and economic relations -- a closer communication in the advancement of nations and cultures. The French philosopher whom I quoted in the beginning of this paper wrote that he looked upon all men as compatriots ... "making less account of the national than of the universal and common bond." I believe there is a common spirit among the world's peoples, and that trade in the products of man's labor and initiative is essential to full communication.

Secondly, we in the United States recognize that although our export base has grown, a part of that gain has been due to unusual weather conditions. When we deflate our current \$11 billion agricultural export total by weather and associated value factors, the base figure is about \$9 billion. We are going to do everything we can to hold the trade gains we have made in the areas that are new markets for us, but we recognize that we cannot hold the weather gains. Further, we know that those areas cannot for long sustain the heavy foreign exchange expenditures which are involved. They are going to have to expand their export earning bases sharply, if we are to hold these markets.

Speaking frankly of Western Europe, it is a large market for us, but it should be larger. I say that because European populations have an income base unequaled anywhere in the world except in my own country. Thus Europe has the ability to buy more of our agricultural goods than she is purchasing today. The fact that this is so is indicated by the waves of

reevaluation which have generally depreciated the American dollar in relation to the strong European currencies. That, to me, is a most clear-cut signal that not only has Europe had the ability to buy more, but it would have been good for Europe to do so.

I would say the same thing about Japan. It too is a very large market for us, but it could be larger.

Living With Realities

In my country, a minister of agriculture lives and functions within a great many realities, and these include inflation, consumer desires, and the need to control Federal expenditures. I dare say that, in my 16 months as Secretary of Agriculture, I have been exposed to these forces in a variety and with an intensity that few agricultural officers in the United States have ever experienced.

As a result, we have taken actions that we normally would not have undertaken at the particular time we took them. We have made changes in import policies that, quite frankly, would not have been equally possible at some other time in history. We have made greater changes in domestic farm programs than we would have done under normal circumstances. But we have taken these actions -- made these changes -- because we came along at a time in history when such decisions were required. I think that you, as ministers of agriculture, are up against the same historical necessity.

In the United States, we know that in order to find success in this process of freeing the market and encouraging farmers to produce for demand, we must look for a world market that is allowed to develop -- that is allowed to expand naturally and steadily in response to people's needs and desires. We are assuming, in the United States, that

the world's trading nations and institutions are equal to the task of providing a liberalization and enlargement of the world economic system.

We, as agriculture ministers, have the opportunity to exercise leadership in this cause, and I believe that the time is here. At this moment, a conference in Geneva, under the General Agreement on Tariffs and Trade, is trying to deal with trade maladjustments created by the enlargement of the European Community. A general negotiation has been scheduled this coming autumn. If we fail to take advantage of these opportunities I fear we will discover in time that we have poorly served our countries and our peoples.

By now, each of you may be aware of the proposed trade legislation submitted by President Nixon this week, and the accompanying message to Congress. The President has asked for legislation to give him more flexible authority to conduct trade relations -- and to negotiate toward an open trading world based on fairness and non-discrimination. The President believes that agricultural trade questions will respond to negotiation based on a real understanding of the problems involved.

I might say that in the forthcoming negotiation, we are determined that agriculture not be treated in isolation. Agriculture must be viewed as part of the total trade package. We see no reason why it should not be considered together with other American industries, and negotiated as such. It follows that nations looking for access to industrial markets will be asked to negotiate in terms of access for agricultural products, and vice versa.

Doesn't it make sense to join together now -- in efforts to negotiate changes that will help demand grow, that will help each of us to serve that demand, that will give our populations the opportunity to buy what they want from the suppliers who best satisfy their needs. These are thoughts that come to me, as I pause and examine, according to Montaigne's example. The obligations placed upon us are peculiar and difficult, but we are meeting at a time -- in a year -- when action and decisions can make an enormous contribution to the future well-being of the world economic system. I look forward to working with you toward that end.

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DOES INFLATION HAVE THE BEST OF US?

My answer to the question, "Does inflation have the best of us?", is No.

I say inflation does not have the best of us because it has the worst of us!

It's not only that business, labor, industry, and agriculture are caught in a vicious upward spiral of product prices and costs of doing business. Those are only the surface manifestations of the inflation malady.

Go below the surface. There you find more disturbing evidences that inflation is getting the worst of us. Our economic structure, top-heavy with subsidies, handouts, protective arrangements, and taxes, is about to be shaken by new wage demands to hike wages with new kinds of fringe benefits. Excessive spending and fiscal responsibility are invariably the companions of inflation psychology.

To round out the picture, we see inflation having the worst of us in low productivity, which has lost us much of our edge over Western Europe and Japan in manufacturing efficiency and technology--leading in turn to a serious decline in exports and our first trade deficit predicament of this entire century.

Address by Secretary of Agriculture Earl L. Butz before the Detroit Economic Club, Detroit, Michigan, April 30, 1973

Inflation psychology automatically feeds inflation.

We all know that inflation is to be over-extended. The national money supply outruns national production. Expectations outrun reality. Demands outrun capability.

To put inflation another way:

Government spends money for programs that taxes won't support.

Businesses make promises that they later can't keep.

Labor makes demands that its productivity doesn't justify.

You know what it's like to be caught up in inflation. The business man sees his costs of material, labor, and overhead climbing, so as he looks ahead, he tries to establish a selling price adequate to allow for these anticipated increases.

Labor in its turn sees its gains being chipped away as prices and living costs rise. To accommodate for anticipated additional inflation, it aims for higher wage scales and benefits when contract renewal time comes around.

Meanwhile, bankers and savers over the years have watched their costs go up while being paid back with cheaper money. Accordingly the financial community feels compelled to set higher long-range interest rates.

People on fixed incomes--the elderly, the retired, the poor--are squeezed in an economic vise. Sooner or later the excesses take savage revenge on the entire economic structure.

A Washington columnist, commenting on the vicious round robin of upward cost pressures, wrote of the need to end inflation, of the strong popular support of President Nixon's stand for fiscal responsibility--and of demands at the same time to continue programs that the President wants to kill. Then he said, "If you can explain to me how we can do all these things simultaneously, I'll forego my demand for a wage increase--which would lead to still further price increases that would of course make it imperative for me to have another wage increase."

It's high time the Nation recognized the insanity of this inflation psychology.

It's high time, it seems to me, for the public to realize that labor possesses the power to gain advantages out of proportion to what it contributes in terms of productivity. It's high time that those in business and industry who have the capacity to administer prices should face the fact that they possess the power to set prices which are out of line with productivity. Administered prices and excessive wage demands tend to ratchet costs upwards even during periods of recession--all too often they cover poor productivity performance, inefficiencies, and wasteful, unproductive practices.

It is also high time to realize that Government has the power to vote financial commitments that the public won't keep. A quarter century of deficit spending by the Federal establishment should be proof enough. The Congress has appropriated in excess of Federal income 21 out of the last 25 years, pushing the Federal debt from \$258 billion in 1948 to nearly \$500 billion today. If the President were compelled to approve every spending measure that came over his desk, he would be in the impossible position of having to break the law by violating the debt limit.

It is imperative that we break the inflation psychology by erasing deficit spending.

Attempting to cope with the problem, President Nixon put the Federal Government in the black the first year he was in office. However, enormous demands for huge amounts of money, stemming in part from welfare, social-benefit, and economic programs that had built-in funding requirements. The Administration budget-makers therefore tackled the difficult task of screening out 100 or more Federal activities which by being curtailed could save \$54 billion during this and the next two fiscal years.

As you know, President Nixon firmly intends to hold Government spending within budget limits. He has vetoed two efforts to reinstate two of these programs, and his vetoes have been sustained.

One of the most encouraging developments to come out of the last three months is the bipartisan effort now under way in Congress to set up a spending control system on Capitol Hill. The Senators and Representatives who are working at the task of creating internal disciplinary machinery to police Congress' overall level of spending are to be commended--and the President deserves the Nation's gratitude for bringing this problem to a head.

To achieve fiscal responsibility and establish the financial integrity of the Government will mark only a first step, however, in gaining the upper hand over inflation--an essential step, but only a beginning. Much, much more remains to be done by all of us before we are out of the woods.

The overriding need--this very day, this very hour--is to push up productivity and improve efficiency all across the board.

Inflation has been getting the worst of us--but it needs the best of us.

For a quarter of a century, inflation psychology has induced an inbreeding of self-serving, protective philosophies in this country. In our preoccupation with winning security and guaranteed income levels--and calling on the Government to solve more and more problems--we have gone a long way down the road of socializing our income. We have gone a long way toward destroying incentive in America.

We are accustomed to hearing warnings about creeping socialism. In my book, the most insidious kind of socialism--far more dangerous than state ownership of the assets of society--is the socialism that imposes the common distribution of people's earnings.

We will be giving the fight against inflation the best we have when we resolve to increase productivity by renewing our incentives to work harder and produce more. America attained greatness because the American people were spurred by incentive--the chance to earn, to innovate, to own, to be different, to keep something for themselves, to maximize their individual worth in some close relationship to their own dedication and hard work.

Thomas Jefferson said men are created equal. That's at the starting line. And they ought to have an equal opportunity to run the race. That doesn't mean that Jefferson expected men to all cross the finish line together.

Most of us have been to track meets; we have seen the contestants ready to break from the starting line; and we have seen the officials call back those who jumped the gun. And contestants are disqualified if they bump someone else off the track. There'd be no point to having the race or the track meet, however, if the rules required all the starters to breast the finish tape at the same instant.

We'll be giving the best we have by daring to break with the past.

Before it's too late, America must wake up to the fact that there's no such thing as a free lunch--that even the most strictly regulated society cannot get everybody to the finish line at the same moment.

We must break with the past. Our goal must be to create a new climate of incentive and competition. I hope that no one will argue with that. If so, a moment's reflection on our \$6.4 billion balance of payments deficit last year may help. Or sober reflection on our increasing national debt, our dollar devaluation, interest rates, and the consumer price index--this might help persuade everyone that we need a new climate--and soon.

These are times for new ingenuity, new talents focused on boosting productivity. Once we begin to see results--once we begin to achieve relatively stable price levels--then we can justify increased wages and there will be greater purchasing power for more people. Under those conditions, if the worker on the farm or in the industrial plant does better and produces more, he gets more--both in real income and in return for the dollar he spends.

It's encouraging to note that tangible moves are being made in the new direction our economy needs to take. Responsible people are working to develop a healthier labor-management environment--witness the no-strike guaranty in the steel accord.

Witness also the shift in agriculture away from regressive programs which were originally designed to cope with Depression conditions of 40 years ago, a shift toward production for markets and away from dependence on the Government. Farmers are breaking free from the old programs of market-restricting artificial price supports, and strict crop controls. With greater freedom to plant, with incentives to make optimum use of their land, farmers are finding opportunities to grow with expanding markets at home and abroad.

Agricultural productivity has increased dramatically in recent years for one simple reason--it pays. It paid farmers more than \$1 billion in additional income to have the capacity to fulfill the historic sale to Russia. It will pay them this year to make an additional 43 million acres available for production.

The higher our productivity, the sharper our competitive edge will be.

One of the most exciting aspects of the shift taking place in agriculture is the new, key role being taken by farmers in America's economic growth. Because of expanding markets--the increasing consumption of meat and other protein foods here at home, and the rising demands for feed grains and proteins throughout the world--the chance to operate our agricultural machine at nearer full capacity is now at hand.

Strong prices times increased production will equal more income for farmers and more food for consumers. In the very process of expanding agriculture to meet growing demands, farm productivity will bring down average unit food costs. The goals of high farm income and reasonable food prices for American consumers are therefore entirely consistent.

Yet even more significant is the fact that agriculture, under present farm policy and programs, demonstrates the principle of comparative advantage at work in world trade for the benefit of all Americans. Farm productivity, our success in staying competitive, and our ability to deliver the goods--these forces underlie the doubling climb in farm exports from \$5.7 billion in 1969 to more than \$11.2 billion this year.

This year's \$3.3 billion cash trade surplus in agriculture shines as one of the bright spots in the U.S. trade picture. It goes a long way toward balancing our deficit for imported oil this year.

Let us hope that Congress and our trade negotiators can carry through the momentum begun by President Nixon when he opened up the Soviet Union and Mainland China--with its one-fourth of the world's population--to cooperative trade with the West. I am confident that agriculture, operating in an open trading world, will move on to years of growing and profitable export business--exchanges of our valuable farm commodities for fuels and materials which will help meet our energy requirements and spark the dynamos of American industry.

If farmers can do it, others can do it.

I challenge the workers and union leaders of this country to root out inefficiencies and become more productive, just as farmers are working from daylight to dark to become more productive in this critical period.

I say to the working man: You can do something about high prices. You can do something about the crisis in the international balance of payments. You can do something about the conditions that are bringing more goods into this country than America can sell abroad, because you, your skill, and your pride can make the "Made in America" label mean a better product at less cost.

To the railroad men, truckers, and shippers, I say, let's get this Nation on the move again. Break the bottlenecks. Make every transportation dollar count.

To business men, I say: Rise to the challenge! The competitive conditions that have led to increased imports of foreign goods are not going to fade away. You can either attempt to hide behind restrictive trade legislation that would mean existing in an artificial world that breeds inefficiencies and inflation, or you can buckle down to the job of becoming more productive and more efficient, turning out products that are more competitive. As never before, strive to cut down on excesses, manage better, and bring your creativity into full play.

Above all, let us work together to find new incentives for America's productivity--and let us cooperate in good faith with our trading partners throughout the world to the end that comparative advantage in production and trade will bring maximum benefits to us all. The prize is too precious for any individual or any nation to miss--for it is no less than enduring peace and a happier existence for all mankind.

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THE PROMISED LAND FOR AGRICULTURE

The Bible tells us it took the Chosen People 40 years to break out of bondage and find their way to the Promised Land--the land flowing with milk and honey, the place where they could fulfill their dreams of happiness and prosperity.

For 40 long years Moses guided them through hardships and perils. He gave them new policies and laws to live by. He resolved their disputes. He kept them on the pathway to their destination.

Moses never got there himself. However, it is recorded that he was taken to the top of Mount Nebo, where he could gaze into the Promised Land. So he died happy, knowing the land of milk and honey was within his people's reach.

Today the promised land for agriculture is near at hand.

There are signs both abundant and strong that agriculture has reached a vantage point where it can see ahead its promised land of sustained growth, profitable production, and income commensurate with the returns realized from labor and investment by the non-farm sectors of our economy.

Agriculture has come to this point after 40 years of wandering through the wilderness of artificial price props, irksome production controls, and programs which were originally well-intentioned but which were designed to cope with depression conditions of four decades ago.

Address by Secretary of Agriculture Earl L. Butz before the National
Agricultural Advertising and Marketing Association, Memphis, Tennessee,
May 1, 1973

Our farmers had no Moses--some of their leaders turned out to be false prophets. It's doubtful that an industry as vast and complex as agriculture could ever find a leader who could combine the perseverance of a Moses with the wisdom of a Solomon, and the patience of a Job--plus the political finesse of a Churchill.

Nevertheless, agriculture has been making giant strides toward its promised land because it has had the benefit of hard-working farmers and foresighted leadership. Vision on both sides of the aisle on Capitol Hill went into evolving farm policy that encourages production for markets instead of production for the Government loan. Foresight and leadership led to programs that enabled farmers to free themselves from the bondage of restrictive controls, so that they have greater freedom to plant and to seek profit-making opportunities in the marketplace.

Vision, negotiating skill, and plenty of plain hard work also reversed the course of farm exports from a downtrend in 1969 to the sharp upturn that has resulted in all-time high records for export sales. Those records would have been broken even without the huge Russian grain sale that followed President Nixon's historic trip to Moscow.

Farm prosperity is the goal--the promised land--of the new farm program we are seeking to develop.

As work proceeds in Congress to replace the expiring Agricultural Act of 1970, we deem it of highest importance that the new program carry forward the best elements of the 1970 Act, which was truly a "Declaration of Independence" for America's farmers.

The industries represented by the National Agricultural Advertising and Marketing Association are an integral part of the new era for agriculture. Your contributions--the inputs of technology, services, and materials which your companies supply to farmers--are responsible in large measure for agriculture's outstanding performance record in both productivity and production. You have a very real stake in helping agriculture cross over into the promised land--and accordingly you have a big stake in the new farm legislation now under consideration.

At this hinge point in agricultural history, we have a rare opportunity to move forward and provide farmers with the kind of policy structure they need in order for them to produce profitably for changing and growing markets, at home and abroad.

The same as in manufacturing, any plant which operates at less than full capacity costs more to run than a plant that is able to operate at top capacity. By operating as close to top capacity as possible, we get more return from the dollars in fixed costs and investment. The chance to operate our agricultural plant at a much fuller capacity than ever before is now within grasp. This year 43 million additional acres are being made available as farmers undertake the greatest production effort in the history of U.S. agriculture.

We are at a point where strong prices times increased production can equal more income for farmers and more food for consumers. This very process of expanding output to meet growing demands will also bring down average unit food costs for consumers. Thus the goals of high farm income and reasonable food prices are entirely consistent.

Growing export trade will take us closer to the promised land.

Of parallel importance to new farm policy is the modernized trade legislation which President Nixon has proposed to Congress. Here again, agriculture has a tremendous stake. It will be in your best interests--and it will be in the national interest--for you to do what you can to work for the advancement of trade and the achievement of an open trading world.

In the wise and colorful words of William Hewitt, chairman of the board of Deere and Company, we have a special responsibility in this promising decade to see that "international trade is not impaled on the twin pitchforks of provincialism and protectionism."

The worldwide demand for higher-protein food, the increasing ability of nations to buy feedstuffs and livestock, the growing markets in the Orient, the opening up of Mainland China to American trade--all these factors give American agriculture and American agribusiness growth prospects unequalled in history.

Our challenge is to make the most of the opportunities that lie ahead. We can supply those markets, expand export sales, and strengthen farm income if we have agricultural and trade policies that help farmers stay competitive and improve their ability to deliver the goods wherever and whenever they are needed.

Right now, as we swing into maximum possible production in 1973 despite the onslaughts of nature that are occurring in the Mississippi Valley, this is agriculture's rare chance to demonstrate to the American public that farmers have a key role in our Nation's economic destiny.

Agriculture can turn out to be America's ace in the hole.

Let me speak for a moment in my capacity as Counsellor to the President for Natural Resources. One of our major concerns is this country's soaring need for energy--and the fuel to create more energy. In the years just ahead, much of that fuel will have to be imported oil, imported in ever greater volume at a cost of more and more dollars. The great question, of course, is how will we pay for it?

Yet if oil is essential for our industrial society, food is essential for life itself. Owing to our farm productivity and the technological resources many of your companies provide, we in America have the ability unmatched anywhere else on earth to produce in abundance that most priceless of all natural resources--food. Our production of food, and our exports of farm commodities, will go far to meet requirements for oil and materials from abroad to sustain America's industrial and transportation systems.

That's the supreme potential for agriculture, provided we do not let doubts, fears of over-production, and 40 years of hardening intellectual concrete block the way.

We must break with the past. This is why current considerations of new farm legislation are of crucial importance. It is time to do away with the artificial scarcities and rigidities imposed by Washington. In today's climate, it is anachronistic and it is counter to the interest of consumers, the economy, and farmers themselves to freeze farmers into cropping patterns just because they produced certain crops years ago.

Through the years, allotments and quotas have tended to become capitalized into land values and tax bases. They have been transformed into capital assets, and are so regarded not only by their owners but by crop processors and lenders of credit. The quota and allotment system has evolved through four decades into an integrated, rigidified structure of Government control.

The forward progress of agriculture will shift into high gear only when farming moves out from under the heavy hand of Government. Policy-makers will obtain their most objective assessment of the way ahead from consumers and other non-owners of farming resources. I urge that our friends on Capitol Hill do so, because now, if ever, is the time for agriculture to break away from old patterns.

The promised land for agriculture will be more than a land of prosperity--it will be a region of independence for the farmers of America.

As we forge new farm programs and new trade policy--as we move closer to agriculture's promised land--we shall encounter key questions which I, for one, hope will be answered positively and affirmatively. Questions such as the following:

Do we want an expanding agriculture? I say the answer is Yes. An expanding agriculture is the best solution to declining farm numbers. An expanding agriculture lets farmers make the best of their competitive advantage in worldwide farm production.

Do we want family farms to prosper and grow? I say the answer is Yes. Some politicians picture the small farmer as a man toiling on a small piece of land, so small that he starves to death slowly. That's not my concept of a family farm. I want to see family farm operations grow large enough to have access to capital and credit and technology--I want them to have a say about the prices they get and their terms of sale--I want them to make a decent living for the farmer and his family.

Do we want voluntary farm programs? I say Yes. Mandatory programs, aimed at upholding high price guarantees, make it impossible to maintain any semblance of balance between production and use. They discourage increases in consumption and production alike.

Do we want a market-oriented agriculture? Again I say Yes. A market-oriented agriculture lets production shift and adjust as consumer preferences change and as foreign demands grow. A market-oriented agriculture means that consumers will pay the full cost of the food they obtain--cheap food priced below cost of production is the birthright of no man who can afford to pay for it.

Do we want farmers to have leverage in the marketplace? The answer is Yes, because the alternative is to let Government exert the leverage--and much of the perennial farm problem through four decades can be blamed on that fact. As soon as Government influence in the soybean industry was diminished, for example, soybean production and soybean sales skyrocketed. Continuation of Government domination would have killed the American cotton industry and would have prevented meaningful expansion of soybean production.

We want to give farmers the chance to maximize their muscle in the marketplace. We have practically cleared out the Government bins. Farmers can now contract for future sale of their grain and carry it under loan until delivery, without loss of loan eligibility. This gives farmers greater leverage in taking some of the risk out of price changes, while they maintain control and seek the best terms of sale.

The goal of farm policy during this decade and the last quarter of the century must be to provide farmers with an opportunity to earn a fair return for the labor, the management, the investment, and the risk that they put into farming--and at the same time, to ensure them a maximum degree of freedom to manage their own farms in line with individual preferences and sound husbandry. Once that goal is achieved, agriculture will indeed enter into its promised land.

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EXPANDING ENERGY FOR NATIONAL GROWTH

President Nixon's energy message to Congress gave the American people a blueprint for national growth--growth that will mean forward progress for all Americans through meeting our energy needs in both the short-term and long-range future.

There is no question that enormous problems exist as we confront the energy situation. Yet I would not be here today, speaking to you as the President's Counsellor for Natural Resources, if I had the least doubt that the organizations represented in this audience possess the inventiveness, ingenuity, and will to overcome those problems.

Nor would I be appearing before you in my capacity as Secretary of Agriculture if I were not convinced that the farmers of America--themselves users of vast amounts of energy for the production, drying, and transporting of crops--can be encouraged to rise to the tremendous opportunities that lie within their reach as worldwide demands for food increase.

No individual, no business organization, and no nation gets anywhere just by treading water--maintaining the status quo. To succumb to the philosophy of those who call for zero economic growth, minimal energy growth, and condemnation of our hard-won technological leadership would be to fall back--to default America's role in mankind's quest for peace and a more rewarding existence everywhere on earth.

Address by Secretary of Agriculture Earl L. Butz at Special Conference on Energy, Chamber of Commerce of the United States, Washington, D.C., May 2, 1973

This Nation, approaching the final quarter of the 20th Century, has no choice but to move forward. We cannot overcome our challenges by turning our backs on the incredible progress we have made since 1900.

To cite an example which is close to my heart by training and background, we can no more afford to revert to farming methods of 50 years ago than we can go back to horse and buggy transportation or oil lamps. Without machines to plow, plant, cultivate, and harvest, without chemical nutrients and pest control systems, the farmers of this country could not begin to fulfill the first law of life--the food we all must have--for our population of 210 million.

Those of us who have dedicated our lives to agriculture know organic farming from A to Z--that's how I farmed as a youngster in Indiana. We could go back to those methods if we had to--but if so, who would decide which 50 million or so of our population would have to go hungry? Who wants to return to the good old days of wormy apples, moldy bread, and bovine tuberculosis?

The simple truth is that for farmers and ranchers to carry out their missions of food production for the consumers of America, and to seize their opportunities in new and larger world markets, they must increase both their volume of output and their productivity. They are making an all-out effort to do so this year, despite the delays caused by weather and floods.

Many of you will have a hand in agriculture's task this year, because increased production to fight higher food prices is going to demand greater farm consumption of energy--electrical power for farm machines, fuel for tractors, oil and gas for grain dryers, diesel fuel for the trains and barges that carry grains, livestock and vegetables to markets.

I put considerable emphasis in these remarks on agriculture because, as I see it, agriculture could be an ace in the hole for America during the energy crunch of the next 8 or 10 years, when we will have to rely heavily on imported oil.

Since 1969, farm exports have climbed dramatically. The volume and dollar value of U.S. agricultural sales abroad have not only reached all-time high levels, but would have set new records this year even without the big grain deal with Russia. Farm exports shine as one of the few bright spots in the U.S. trade scene. This year our agricultural trade will earn a cash surplus of at least \$3.3 billion. This will go far to offset the deficit for imported oil in 1973.

Energy expansion is a must for a growing America. This means oil and other fuels from abroad will be precious during the period of transition to self-sufficiency as we develop our fossil fuel resources and nuclear capabilities. Yet the most priceless resource of all is food, a renewable wealth which we have unmatched capacity to produce, a commodity in increasing demand the world over. Expanding farm exports will contribute significantly to our trade and payments balances, provided farmers are reinforced by new, forward-looking farm and trade policies and by success in forthcoming trade negotiations.

Time is therefore still on our side, if people like you here today, and the companies you represent, will bend every effort to the task of finding more oil and gas from the sources still available in America and off our shores--if you will make the best possible use of our great coal resources--if you will push production of nuclear energy.

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Let us not be deterred by obstructionists, well-intentioned though they may be, whose vision is blinded by concerns that no finite system can go on multiplying its growth indefinitely, or that we are creating unmanageable wastes while depleting our energy sources. We must reject those arguments, because I sincerely believe that America has reached a state of maturity in our awareness of man's physical environment and the need to maintain a healthy balance between people's economic needs and nature's ecology.

If for no other reason, the high-cost environment in which we live dictates that resources must be used productively, intelligently, and efficiently. The places on earth where people wake up hungry and go to bed hungry, where they live in deprivation and misery, are the places where natural resources have gone unused for too long. We must strive unceasingly for a balanced approach to the utilization of our energy sources.

I am confident we have much of the technology at hand--and can focus research with greater effectiveness--to achieve marked efficiencies in our present methods of extracting, transmitting, and applying energy to industrial and agricultural uses. The President's message gives a timely warning that the United States can no longer afford the losses that occur all along the way from the oil, gas, and coal sources through generating plants and distribution systems.

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Indeed, it may not be unreasonable to suggest that the energy industry has it within its ability to determine that the production of additional power can be accomplished not only without deteriorating the environment, but by contributing to environmental enhancement. That may sound like a large order; undoubtedly it will cost money. Nevertheless the time has come for responsible leadership to work into the forward plans for a strip mine or a nuclear plant or the tapping of a geothermal energy source, provisions for producing some kind of net environmental benefit--whether it be a dividend in the form of clearer air, purer water, or a more attractive landscape.

Looking farther down the road, it gratified me that President Nixon called for long-range research that will move us closer to a time of self-sufficiency in energy production--in forms that, again, will reduce contamination and abuse of our environment.

We need, right now, to look beyond our dependence on fossil fuels and breeder-reactor nuclear processes to fusion and solar-energy research.

Ways of harnessing solar radiation for better crop growth have barely been touched by agriculture, despite the fact that in a very real sense, agriculture is deeply in the business of converting solar energy to man's needs. Much of it is lost. Researchers say that mountains of animal waste at huge feedlots--and the human waste from municipal sewage systems--can be converted by microbiological or enzyme action into valuable, clean-burning fuels. That's only one example of potential developments to come.

The future for the energy industry is certain to be rich with the excitement of new approaches, new discoveries, new achievements. Let us move into that future with a full awareness of the need to seek an optimum balance between benefits and risks, and the need to make an optimum contribution to the welfare of all mankind.

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ADVANCING THE CAUSE OF GOOD NUTRITION

In these fast-moving and rapidly-changing times, people take note of spectacular events and developments like the forthcoming launch of Skylab, or rising costs of living, or big breakthroughs in international relations. We all tend to be less aware of the more subtle changes that are occurring--changes as crucial to our well-being as those that capture the headlines.

It would be quite accurate to say, in my opinion, that the general public--the average citizen in this country--has little realization of the direct or potential impact on the state of our nutrition being made by changes in consumer eating habits and modifications in foods themselves.

Food fulfills the first law of life--it is the prime requisite for keeping a society alive, vigorous, and productive. This is why I emphasize again and again that the farmers of America have every right to be proud of their work, proud of their productivity, proud of their progress in meeting the food requirements of this great Nation as well as millions of consumers in other countries.

Certainly a primary concern of the Department of Agriculture must be to encourage the utilization of the best technologies, the most effective plant foods and the most efficient pest-control methods to increase our supply of food. This year in particular, as we face growing market demands and combat the damaging effects of floods and bad weather, it is urgent that our agricultural system strive for new records of crop and livestock production.

Address by Secretary of Agriculture Earl L. Butz before the Board of Trustees of the Nutrition Foundation, New York, N.Y., May 4, 1973

Yet a great agency such as the one I represent, which when it was established was described by President Lincoln as the "people's department," would fall far short of its responsibility if it considered its mission to end with the production of farm commodities.

The USDA, the State Agricultural Experiment Stations, and the cooperative system of Land Grant educational institutions all are deeply concerned, as you well know, not only with farm production and rural living but with our ultimate constituency--the consumer public.

We try to keep well attuned to consumer concerns, whether those concerns have to do with food costs, food quality, the environment, rural development, the elimination of poverty-caused hunger, or nutritional standards and the improvement of our general level of nutrition.

It's fair to say that four years ago, when President Nixon pledged to banish poverty-related hunger and malnutrition from America for all time, and when he charged the Department of Agriculture with spearheading that gigantic task, we sharpened our awareness of the problems involved in efforts to advance the cause of good nutrition in the United States.

We have become more aware, for example, of the fact that as people's incomes have climbed in recent years, the American population has become increasingly mobile--consumers have been eating less food at home and more away from home. Medium-income families are spending about one-third of their food dollar on food outside the home.

City dwellers are adjusting to a highly mechanized life style. They commute to work, ride elevators and escalators to the office, get their exercise riding a power mower around the lawn--and frequently take lunch from a mechanized food canteen. As a result, they usually consume less food. This circumstance makes food choice a critical matter when it comes to achieving a nutritionally complete diet.

In the 10 years between 1955 and 1965, marked declines occurred in the average consumption of many food items and noticeable increases in others. Consumption of enriched white flour dropped 41 percent, fresh milk 19 percent, fruits and vegetables 10 percent. During the same period, consumption of baked products jumped 65 percent, soft drinks 76 percent, and potato chips and snacks 83 percent.

One of the most striking changes taking place in the character of our food supply is seen in the multitude of highly processed, formulated convenience foods that are reaching the market. I daresay relatively few people in our vast consuming public realize that these foods currently account for about 70 percent of the average American diet.

The Department of Agriculture, in company with its brother agencies which had their origins in USDA--such as the Food and Drug Administration and the Environmental Protection Administration--has genuine interest in what happens to food commodities after they leave the farm gate. In light of current trends, we have real reason for wanting to know what the consumer's food dollar buys not only in terms of quantity and satisfaction, but also in terms of safety, wholesomeness, and nutritional value.

It should be a matter of concern to every person in this room that the rate at which new convenience foods are being developed is far outpacing efforts to compile data on composition and biological availability of the nutrients they contain. The tempo of change in the food world places urgent new responsibilities on processors and technologists as they proceed with designing foods for the America of tomorrow.

Fortification or enrichment of foods may become increasingly significant as we learn more about both our nutritional needs and our nutrient deficits. Greatly improved methods of analysis also increase our ability to detect residues and contaminants. A much higher level of research and information effort than we now exert will be required to cope with these problems and thereby merit the confidence of consumers.

It was the realization of these realities that led to the establishment a year ago of USDA committees on food safety and food and nutrition research. Another step in the right direction, of course, came with the issuance of Food and Drug nutritional labeling regulations. These should have impact for wiser choice of diets and foods by consumers--and they will also have beneficial impact on formulating and processing of foods in the future.

As a former member of this Board of Trustees, it gratified me to see the Nutrition Foundation providing much-needed leadership in the vital nutrition field. Your 1969-70 Report was a landmark document, for example, with its findings on the direct relationships that exist between under-nutrition and mental retardation.

I also commend you on the intensive efforts you have put into the creation of the Citizens Commission on Science, Law, and Food Supply, and its plans for an international conference to delve into the risks and benefits of intentional and incidental food additives, residues of useful agents employed in food production, and chance contaminants derived from the environment.

Your sponsorship of the International Symposium on the Safety of Saccharin, and the International Conference on Sugars in Nutrition, attests to the fact that education of the professional, as well as the lay public, in foods and nutrition is becoming increasingly important.

You may be sure that the Department of Agriculture is on the same wavelength with you in recognizing that the task of helping American consumers select and consume more nutritionally adequate foods is a vital undertaking--an undertaking which at the same time will be complex and difficult. Far too little is known about our nutritional needs, the extent of their effects on health, and how to assure adequate amounts of essential nutrients in the foods we eat. Also, far too few are the means for conveying authoritative and persuasive information to the public.

One critically important factor you in industry and the foundations, and we in Government, must make sure not to overlook--and that is, the need to enlist greater involvement of people themselves. Consumers have the right to know what's going on; they are entitled to make their constructive contributions and suggestions--and to participate in decision-making processes.

For this reason I am particularly gratified that plans are under way for this Foundation and USDA to act as co-sponsors of a conference later this year, designed to explore and, hopefully, to structure a stronger role for the Land Grant institutions in solving applied human nutrition problems. The special emphasis which the conference will place on the 1890's institutions could have highly productive results in disseminating the message of good nutrition among large segments of America's population long neglected and well deserving of all the encouragement and educational help we can provide.

My hope is that the conference, like so many other activities that this organization is supporting with the generous help of other foundations, will again demonstrate that agriculture, industry, and Government can move ahead as a team to bring Americans a good life and healthy life--through foods that we want, foods that we enjoy, and foods that provide the safest and essential ingredients of good nutrition.





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OUR MOST PRECIOUS RESOURCE

At this commencement occasion, I must confess to being envious of you who are about to move on to new endeavors in a world of change and challenge. Some of you will go on to further study. Others no doubt will want to take some time to relax, perhaps do lots of hiking or biking or traveling, just to sort of size up the situation before deciding on where and how you will fit into the so-called "establishment." However, the majority of you will soon be launching yourselves into jobs and careers--and for many of you, it won't be easy.

I remember the words of a distinguished midwestern university president at a commencement ceremony similar to this--also in a time of change and concern about where society seemed headed. He was Dr. Glenn Frank of Wisconsin. He warned his listeners that some people say the world will welcome you with open arms--that's the customary note for a commencement--then he added, "But I'm here to tell you that the world will turn a cold shoulder to you."

Yes, you will run into cold shoulders and plenty of frustrations and disappointments. There will be times when it seems like a cold, hard place.

Yet I envy you. I envy you for the excitement you have in store. I envy you for the satisfactions many of you will gain as you take your turn in tackling society's problems--the opportunities you will have to carry forward the unfinished work left to you by my generation.

Address by Secretary of Agriculture Earl L. Butz at University of North Carolina Commencement, Charlotte Coliseum, Charlotte, North Carolina, May 13, 1973

I suppose that throughout history, each oncoming generation has believed it had reason to criticize the previous generation for making a mess of things--and probably many of you who are about to be graduated feel you have justification for leveling the same kind of charges 'at' your parents' generation.

Still, I don't feel ashamed of some of my generation's accomplishments. Your parents' generation put America on wheels, made electricity available to homes throughout the land, created the wonders of television, wiped out the scourges of typhoid, diptheria, bovine tuberculosis, and polio, and succeeded in getting men to the Moon and back.

That's not too bad a record. We have kept this America of ours pretty solid. We have kept the doors of opportunity open--we have maintained a viable system for you to use as you will for your maximum benefit. At the same time, we recognize that the comforts, food abundance, and affluence of this Nation have been achieved at heavy cost. Much of the dollar cost, and many of the problems that we can see in such by-products of progress as pollution, environmental deterioration, and resource depletion, are part of the legacy that you will inherit.

However, lest this seems like too gloomy a prospect, we can all recognize that modern society has steadily evolved to new levels of maturity and awareness. We have come to a point where, in my opinion, rational people are determined to seek the solid common ground between economic interests and environmental concern--and by environmental concern I mean concern about our ore and mineral resources, concern about our land, air, and water resources, and concern over our future energy needs.

Not long ago--in my boyhood days when I worked on the family farm in Indiana--America was predominantly an extractive society. Until as recently as the late 1920's at least 45 percent of our work force was engaged in occupations that extracted wealth from our natural resources--farming, forestry, mining, fishing.

Then manufacturing came to the fore with the technological revolution that swept the Nation. As cities became manufacturing centers, the same revolution swept the countryside to release manpower for the Nation's mills and factories. Progress came rapidly. Soon we had an abundance of material things--today color television, two-car families, resort homes, air conditioning, and appliances and gadgets of all kinds abound.

About 15 years ago, we emerged into what has been called the post-industrial era. More people are employed in providing services than in producing things. Those who earn their livelihoods by serving others--in transportation, finance, recreation, education, health, personal services, and government--outnumber those in manufacturing, agriculture, and other forms of production.

Today we continue to extract, manufacture, and provide all kinds of services--we can never afford to turn our backs to those essential activities. We are entering a new stage in our development, however, as we seek better, more rewarding ways to use increased leisure time. The reason we can take up new pursuits is because we have learned to do the old so well. Our social progress is directed toward improving the quality of life--improving the total environmental setting in which we live, work, and relax.

Some people call this the stage of managing our affluence and effluence. No matter how you label it, the thrust of this new era is to make life as fulfilling esthetically and spiritually as we have already been able to make it physically comfortable.

Our progressions from the extractive stage to the manufacturing stage and then to the service stage required major changes in our approach to careers and our concept of work. The current transition to the fourth stage--improving the quality of life--will demand an even more traumatic change. In numerous instances, it will call for a fundamental reorientation of our way of life in America.

The affluence to which we have become accustomed, and our advance to higher levels of living, are in quite direct proportion to our use of resources. This poses a difficult dilemma, realizing as we do that we live on a fragile planet which has limited and finite resources. We have seen the geographical frontiers pushed back to the vanishing point. No more prairies are left to be broken, virgin forests to be cut, or lands to settle. We are consuming our fuel resources at a prodigious rate--while our needs are increasing by the day.

In the United States alone, by the year 2000, millions more Americans will exist on the same number of square miles as today. The same amount of water will fall from the skies as now, but we shall need twice as much water as we are presently consuming. We shall be fed from the same thin layer of topsoil that feeds us today, but we'll need at least a third more food.

If the world's population of 6 billion people predicted by the year 2000 are to be sustained at minimal levels--with no improvement in diet whatever--we will need the capacity to feed another 3 billion. That means we must duplicate in the coming generation the food productive ability that man has achieved since the dawn of history!

Equally great challenges and equally great demand pressures stem from our growing requirements for energy and basic minerals. My good friend and fellow Cabinet member, Secretary of the Interior Rogers Morton, was absolutely right when he said that minerals and mineral fuels are literally the cornerstones of modern life. He made that statement in a foreword to a report just issued by the U.S. Geological Survey. It warns that America's appetite for minerals can lead to severe shortages in the next few decades unless we stop wasting resources and find additional low-grade ores and better ways of using them.

Yet the dilemma we confront is sharpened by the fact that increasing numbers of people are making the conscious decision to take more time to enjoy life. There is a great and no doubt overdue focus of public attention on the importance of enhancing our natural environment, protecting our ecological system, and enjoying the values of our great outdoors. The very fact that advanced technology gives us more time on our hands means that the University of North Carolina and its sister institutions have a growing obligation to teach people how to enjoy life--how to savor it and find peace of mind. The old adage, "A busy person is a happy person," no longer suffices when nearly everybody is confronted with leisure.

General affluence, labor laws, extended time for education, and an expanding welfare system all delay the entry of young people into the world of work and productivity. The net result is that an increasingly smaller proportion of young folks are working. The entry time of young people into productive work--all the way from mowing lawns and clerking in a dime store to textile mill management and nuclear research--is rising. At the opposite end of the spectrum, more people are living longer and more are retiring earlier, hence a steadily diminishing percentage of older people are engaged in productive work.

As our affluence generates more spare time, it spawns larger numbers of specialists engaged in making the use of that time more gratifying and rewarding. Artists and art educators, anthropologists who delve into the fascinating evolution of our culture, entertainers, professional athletes and expanding sports leagues--these are but a few random examples of our thrust toward a richer, pleasanter life experience.

Undergirding the entire structure, giving it strength and dynamism, is the day-to-day task of producing food and material goods from our limited resources. It is a task made always more difficult because of our need to utilize our resources--both the diminishing mineral resources and the renewable food and forest resources--with greater efficiency than ever before, with greater economy and less waste than ever before, and with maximum cleanliness and minimum pollution.

How can this all be accomplished? That's the paramount question of these times. Our future--our very survival--may well depend on the outcome.

There are two priority, inter-connected answers, as I see it. First, we must develop our most precious resource of all--our brainpower, our limitless mental capacity to invent, to create, to discover. Second, we must apply that brainpower--we must put it to work--we must never ease up for a moment in our concentration on productivity.

With regard to the first answer, it is my firm conviction that education and brainpower will produce solutions during the coming two decades to many of our resource and energy problems. It has been estimated that we will experience a 100 percent increase in knowledge during just the next 8 to 12 years--and another 100 percent increase in the decade after that. In my own lifetime, man has discovered more technical knowledge than has been accumulated throughout the millennia of mankind's history prior to when I was born in 1909.

Half of the technical information possessed by today's college graduate will be obsolete in 10 years. Think what that means. Half of what you in this graduating class must know to be successful 10 years from now has not even been discovered yet! No wonder they call this a commencement.

As we ponder the environmental and resource challenges ahead, we have no choice than to encourage training, re-training, and constant development of our brainpower capacities. A member of the USDA Graduate School faculty who specializes in assessing change and future developments predicts that the next 30 years will witness a change as enormous in scope and significance as the Industrial Revolution itself. That is, the change during 30 years to come may be equal in scope to the change of the past two or three centuries.

It is not unreasonable, therefore, to anticipate that the average 20-year-old who enters the work force today can count on 6 or 7 job changes in his lifetime, each requiring re-training. As you give thought to earning a livelihood and participating in the changing scene, think in terms not of a career but of "serial careers."

The second part of the answer to the challenges of today and tomorrow is, as I indicated, putting our best brainpower to work. We all want more, even though our resource base is finite if not dwindling. Fewer of us are working. Those who are working are working less. Yet the needs to produce more food and more energy are increasing--the tasks ahead are growing to enormous dimensions.

There is only one way to achieve all these goals--and that is to increase our productivity. I know it's not very exciting to talk about productivity--it isn't front-page headline or prime TV news material. Few students get "turned on" by the possibility of "doing their thing" to boost human productivity.

Nevertheless, to increase human and industrial productivity must remain a foremost objective of our society. Now as never before, this country needs to revive the work ethic that brought us the goods and services that add up to the world's highest standard of living.

That work ethic needs now, as never before, to be reinforced by incentive. America attained greatness because for nearly two centuries the American people produced under a competitive incentive system--the chance to earn, to innovate, to own, to be different, to keep something for themselves, to maximize their individual worth in some close relationship to their own dedication and hard work.

My point in brief is that in our ongoing affluent society, we can't have all chiefs. Somebody has to milk the cows, tend the looms, and generate the power. That goes for college people as well. Society's demand for increased productivity will place special stress on our technically oriented educational institutions--on the hard sciences, on engineering, and on the practical instruction which transforms knowledge and brainpower into ability. We will continue to need more people trained to make things and produce services with less input of manpower, and with less waste of our resources.

There is urgency to all this. America would be in less of a predicament today--with inflation at home and burdensome trade deficits--if we had not fallen behind Japan and Western Europe in our rate of productivity increase. Our society must break free from the insidious trend toward the reliance of people on government for their security, income, and well-being.

Let it be the resolve of everyone here today to prove once again the truth in the words of a great President, who said last January, "America was not built by government, but by people--not by welfare, but by work--not by shirking responsibility, but by seeking responsibility."

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For Release at 1 P.M. EDT, Sunday, May 13, 1973

America is fuel hungry.

And when we run out of fuel in America, our economy grinds to a halt.

Our national life style is geared to the 2-car family, to color TV in every room, to passenger elevators and air-conditioning in our high-rise homes and offices, and to electrically-operated gadgetry which ranges from lawnmowers to toothbrushes.

I think that's fine. The American standard of living is the envy of the world. And as people work and improve their income situations they are entitled to as many of the good things of life as they want and can afford--including food.

It takes fuel to produce food, too.

One of the major reasons American agriculture is so competitively productive is mechanization. Huge diesel tractors, gasoline-fueled combines, grain dryers operating on natural gas, irrigation systems and farm trucks powered by liquid petroleum (LP) gas are a few examples of why U.S. agriculture is the number one customer of the petroleum industry. Farmers also use about 2 1/2 percent of the nation's total electricity output, much of which depends on petroleum fuel as the generating power.

This year we have some problems.

We are using 300,000 barrels per day more of gasoline this year than last. The storage supply of gasoline for the second quarter of 1973 has been averaging a loss of about 275,000 barrels of gasoline per day. As of April 20, we had only 204 million barrels of gasoline in storage, compared with about 221 million in storage in 1972.

Remarks of Secretary of Agriculture Earl L. Butz at the National Agriculture Meeting on Fuel and Transportation at Des Moines, Iowa, May 31, 1973.

We're in a little better shape with diesel fuel. As of May 4, diesel stocks were up 12 percent over 1972, due primarily to the fact that in January all restrictions were removed on the importation of No. 2 fuel oil, and we are now importing over 200,000 barrels per day. This, together with domestic production, is expected to give us adequate supplies for our needs this summer and, barring extremely cold weather, to make it through next winter.

Also, recent changes in the oil import program allow major oil companies to import fuel oil by paying a license fee of 14 cents per barrel. Independent oil companies can, effectively, import fuel oil without paying any fee at all.

But there are some problems with getting the right amounts of fuel produced, and then distributing it to the right places at the right time.

That's why we're here today--to find solutions to the short-run fuel problems before they jeopardize our prospects for a record harvest this year.

Every American has a vital stake in helping farmers obtain the fuel they need to produce food for our tables; feed grains and oilseeds that are essential for production of more beef, pork and chicken; and cotton for our textile mills.

Every taxpayer, too, has cause to be grateful to the American farmers for the tremendous contribution they make to easing our adverse balance of payments. Since 1969, farm exports have climbed dramatically. The volume and dollar value of U.S. agricultural sales abroad have not only reached all-time high levels, but would have set new records in 1972 even without the big grain sales to the Soviet Union. This year our agricultural trade will earn a cash surplus of at least \$3.3 billion.

Expanding farm exports will be a major weapon in our national arsenal as we wage a continuing and relentless battle on inflation. So every American owes a vote of thanks to the farmers of this nation.

Farmers, for their part, have an obligation not to take undue advantage of a situation where others are tightening their belts and making adjustments in order that agriculture will not be without adequate fuel supplies.

The Extension Service through county agents, the Agricultural Stabilization and Conservation Service through its 2,800 offices, other field personnel of the U.S. Department of Agriculture are meeting and counseling with farmers to help them conserve fuel.

Approximately 240 million acres will be planted to all crops, including vegetables and hay, this year in the United States. This crop year farmers, using the freedom of choice inherent in the current programs for wheat, feed grains and cotton, will substantially increase their plantings of the food and feed grains. This increase is in direct response to the strong demand of U.S. consumers for more high-quality foods in the supermarket--especially meat--and to satisfy the strong demand in world markets for U.S. farm commodities. We have virtually turned the production spigot on full force.

But, this has not been an easy year to predict planted acreages--or to pinpoint where fuel shortages are likely to occur.

Continued rains all through the late winter and early spring have delayed by several weeks what normally would have been "early" planting. Some fertilizer, applied early, was leached deeply into the soil below the root zone, or washed away. Some farmers say excessive rain has disturbed the clod formation of the soil. These conditions frequently require at least one extra field operation which increases the use of fuel.

In Texas and Oklahoma wheat harvest is underway this week, and another problem related to the fuel shortage is emerging. Some country elevators have

warned farmers there may not be a cash market at harvest time. The country handlers have been told by terminal buyers that no money will be advanced for wheat prior to loading of rail car or truck for delivery. The local elevators have been told they may draw or call for an advance when rail cars are loaded or truck grain is delivered at the terminal and applied to a specific contract.

What this means is that country elevators may refuse to accept harvested grain unless they have ample storage space. Many have said they will not pile wheat on the ground alongside the elevator or tracks for an unspecified length of time. Grainmen speculate that a car shortage could last for up to six months as the wheat harvest moves north.

These problems will not go unnoticed by our trading partners around the world.

We are engaged now in negotiations leading to a comprehensive round of international trade talks. It is essential that our national posture throughout these negotiations be one of strength.

That is why I am emboldened at this time to ask for the full support of everyone present here today to do everything possible to help stretch out our existing fuel supplies and prevent any possible breakdown in the efficient operation of our vital farm plant.

President Nixon has taken the lead in establishing, under the direction of Deputy Secretary of Treasury William Simon, a policy committee to oversee and assure that the priority users of fuels receive their fair share.

Some State governments, I am told, have set up "hot lines" where shortages may be telephoned to a State agency empowered to take appropriate actions to alleviate the situation.

Farmer cooperatives, independent oil companies, and major companies have all been making independent studies to protect their interests, and the interests of those they serve. Committees of the U.S. Congress are studying the situation to identify problems and hopefully provide solutions.

In the Department of Agriculture, we are encouraging farmers to adopt fuel conserving practices in their normal farming operations. Here are some of the things farmers are encouraged to do to save fuel:

- Reduce tillage practices: (1) Don't plow if not necessary; (2) couple machines together where possible to make one trip over the field do the work of several--such as disk-plant-apply herbicide all in one operation; (3) don't cultivate unnecessarily.

- Match tractors to the job to be done, when possible: (1) Use small tractors for the lighter jobs; (2) use diesel tractors where possible because gasoline supply is tighter than diesel fuel.

- Operate equipment at the proper engine and field speeds.

- Keep tractor and equipment properly tuned for maximum fuel efficiency.

- Shut the engine off if the machine is likely to be stopped for some time.

Idling will often use more fuel than restarting the motor.

- If possible, move large equipment by truck instead of driving it several miles over the highway.

- Postpone operations such as ditch clearing and land leveling when possible, even for just a few weeks, until the fuel situation improves from the present peak-use period.

- Work the field the long way of the field when possible, to cut down the number of turns that result in inefficient use of fuel.

These are a few of the things farmers themselves are doing. We think they'll help.

But we need the help of others, too.

Last weekend was Memorial Day weekend. I read in the newspapers and saw on television accounts of families headed for the seashore or the mountains who ran into local shortages of motor fuel. To them price was not the object. Their only question was: "Is the gas available?"

I think this is part of our problem. Americans are affluent. We all have the purchasing power to pay for things that we really want. And it becomes easy for us to think only of ourselves when maybe we should think of the national welfare. I believe everyone who understands the dependence we all have on farmers will agree that farmers should have a priority on fuel supplies.

This is our challenge today--to find ways to put our talents and experience together and develop a mutually beneficial delivery system for the facts and figures we jointly possess.

Assembled here in Des Moines is perhaps the greatest cross-section of knowledge about petroleum fuels and agriculture and transportation that could possibly be put together.

If we have the will to do so we can put together such a delivery system--or information program--or whatever you wish to call it.

It is my hope that out of this meeting will come a plan for obtaining better public understanding of the fuel shortage, that will see us safely through this crisis, and will help assure an adequate and economical food supply for every American.

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PROFIT--THE INVISIBLE CEMENT OF AGRICULTURE

This is a doubly welcome trip, because of the opportunity to join in this happy and significant occasion of dedicating your new headquarters building--and it is always a privilege to join hands with your Congressman Bob Poage--the distinguished Chairman of the House Committee on Agriculture.

The Texas Farm Bureau is a proud group--and you who are in it have a right to be proud.

Farm Bureau has built a special teamwork between farmers, and their Government.

That teamwork is based on an intangible source of strength not found in most other sectors of our economy. Farm Bureau had it when your great organization was formed 54 years ago. You have it today. It is a main reason American agriculture is the envy of the world.

We often point to our great accomplishments in agricultural research--and they are second to none in the world.

We point to our technology, our machinery, new varieties and strains of plant and animal life. We are justly proud of our credit systems and our management systems--our Land Grant College system and the Extension Service that helps diffuse knowledge from experiment stations and classrooms and brings it right to the farmstead.

But the invisible cement that holds all of American agriculture together is the farm family on the land trying to make a dollar.

Address by Secretary of Agriculture Earl L. Butz at dedication of the new headquarters of the Texas Farm Bureau, Waco, Texas, June 13, 1973

When foreign visitors come to this country to study our agriculture, they visit, they take notes, they see and learn. When they leave, they take back with them our cotton pickers and our combines. They import U.S. know-how that lets them duplicate our agricultural experiment stations, our feedlots, the new varieties, the applied research--the things they have seen that seem to be the key to a productive agriculture.

And yet, after they carry all of this knowledge home with them--when our foreign friends try to put it all together, it sometimes fails to work.

What they forgot to include was that invisible cement--the family on their own land, working together, trying to make a little money.

The importance of the farm family has always been stressed by Farm Bureau. This has been a Farm Bureau tenet of faith--that every farmer has maximum opportunity to make his own managerial decisions, with a minimum of Government interference.

That tenet is being sorely tested today.

We should not treat lightly the danger that threatens U.S. agriculture from pressure groups and consumer advocates, no matter how well-intentioned they may be.

In this current flap over food prices there is a growing feeling among many Americans and organizations that cheap food is their birthright--that somehow it is up to the Government and farmers to work out a system between them so that cheap food--subsidized food--is always available.

You see, these people, too, fail to appreciate the invisible cement--the opportunity to make a little money--the incentive that encourages men and women on the land to produce for markets. It builds a pride that comes from working for themselves and putting their own money in the bank, instead of producing to meet a government quota.

If, through unwise government action, or through social pressures, we impose artificial restraints on the profit motive and the spirit of free enterprise, our agriculture could suffer the fate of farming in the Socialist nations of the world. If we lost the incentive to work for ourselves, our production would suffer, both in quantity and quality.

The old Scotsman said it well: "The eye of the master fatteneth the cattle."

That's the intangible something that makes American agriculture work, and there's no way to feed it into a computer.

If we seriously cripple the opportunity to succeed beyond mediocrity in the farming business, we will be following the same road as Socialist nations which have followed the will-o-the-wisp lure of a controlled economy. We will one day wake up no longer able to take for granted our abundance of high quality food. Instead we will be asking: "Will we have enough food to go through next year?"

This headquarters which we dedicate today in Waco, Texas is a monument to the philosophy that says such a question will never need be asked in the United States.

Farm Bureau has always been guided by stable leadership.

Farm Bureau has been directed through the years by soundly developed policies.

Farm Bureau has been strengthened by an enlightened understanding of the realities of farm economics.

Farm Bureau has resisted putting on the blinders of political short-sightedness.

Farm Bureau has never abandoned the heritage of the farm family on the land--commanding the use of its own capital resources, using science and technology to the greatest extent possible, and standing stubborn as a mule on the right to make its own farm management decisions in the search for maximum profit.

Now, just a word about the teamwork between farmers and their Government--and it is their government, not the other way around. Farm Bureau leadership has a strong role to play in keeping the farmer-Government teamwork on track and moving in the right direction.

The Agricultural Act of 1970 was landmark legislation. It has helped farmers regain much of their individual freedom to manage their farms. For three years farmers have been adjusting production patterns to produce for expanding markets. Today, they are taking more and more of their net farm income directly from cash markets at home and around the world.

Under the set-aside concept of the Act of 1970, farmers no longer have to plant crops according to rigid allotments and quotas that restrict farm production on the basis of outdated planting patterns. As a result, farmers are more competitive in world markets. High price support levels, serving as an umbrella to protect farmers of other competing nations, have been replaced with more realistic commodity loan levels.

As U.S. farm commodities have become available at attractive, competitive prices, buyers around the world have come to bid and to buy.

Until recently, this country had costly programs to take land out of production--about 60 million acres just a year ago. The result was artificial production restraints which hampered efficient use of farm resources and increased production costs

This year, we are bringing virtually all available cropland, formerly in set-aside, back into production. Use of more land, better use of machinery at nearly the same capital investment, means more lower unit costs and more profit for farmers, and abundant food for consumers.

Net farm income for 1972 reached the all-time high of \$19.2 billion. This year we expect net farm income to be around \$22 billion.

When farmers are able to lower their average production costs below the levels they would have been under restricted production programs--and at the same time increase supplies--the result is more net income. Consumers also benefit in terms of greater abundance of food at lower prices than would otherwise prevail.

Greater abundance--that's the key to lower consumer prices, although many consumer advocates apparently don't recognize it.

The way to bring down the price of food in the supermarket is to let the farmer make a profit producing it. The opportunity to earn profit is what the farming business is all about. It's the only road to abundant production, which is the best antidote for inflation.

The farmer likes to be his own boss. He enjoys living out in the country, close to nature. He likes the fresh air, and the clear skies, and the chance to go fishing once in awhile. But the truth is--that farming is no longer just a way of life. It's a business. The farmer has his bills to pay, his children to educate, and his taxes to meet. Agriculture is America's largest industry and a vital part of our national economy. The farmer, like every other businessman, is looking for ways to maximize his profit.

That's why President Nixon's enlightened trade objectives are a vital concern to every farmer in the nation.

American farmers want to produce and earn bigger profits. They can't do it growing only for domestic markets. Exports allow farmers to expand and become more efficient. As agricultural exports expand, this makes jobs for other American workers.

You've been aware, I know, of the tremendous upsurge in U.S. farm exports that started last summer. Texas ports, transportation systems, and storage facilities have been severely strained to accommodate the flow of grains and soybeans.

But did you know that for each \$100 million of U.S. grain exported, some 5,000 jobs were generated in warehousing, transportation and trade? Increased exports in fiscal year 1973, of grain and soybeans alone, have meant well over 100,000 new jobs off the farm. Tell that to your Chamber of Commerce.

Our estimates also show that the transportation and warehousing industries this year have received \$150 million more in receipts than they did last year, due solely to increased exports.

Since 1969, agricultural exports have risen from \$5.7 billion to an estimated \$11.1 billion this fiscal year. Even without the large sales to the Soviet Union and the Peoples Republic of China, our exports this year would have been over \$9 billion.

Texans, with their petrochemical industry, electronic firms, and the Space industry at Houston, may need to be reminded that in calendar year 1972 our agricultural exports of \$9.4 billion were about equal to the total value of all U.S. exports of non-electrical industrial machinery. Agricultural exports were more than double our total chemical exports, and were roughly three times the exports of all U.S. consumer goods.

Agriculture and agribusiness are responsible for the employment of around 16.5 million people, or about one-fifth of the total U.S. labor force. Agriculture generates over 16 percent of the total Gross National Product.

Taxpayers should know about the great contribution our free agriculture makes to our economy. In calendar 1972 while the trade deficit for non-agricultural products jumped to a record high of \$9.3 billion, agriculture was piling up a trade surplus of \$2.9 billion. This year our agricultural trade will earn a net cash surplus of at least \$3.3 billion.

Farm Bureau leaders have never hesitated to stand up and be counted.

It was an act of courage when Farm Bureau broke away from the negative philosophy that had been generated in the depths of the Depression.

It was an act of leadership when Farm Bureau developed and expanded its working relationship between elected officials and hired specialists.

There are many other current examples. I'll cite only one. It is an act of faith in the farm family that keeps Farm Bureau leaders constantly alert to the pitfalls of too much Government control.

We are challenged today as never before by those who would seek a short term financial gain for agriculture that brings with it more Federal control and direction of the use of resources. They would trade freedom of choice for security. They would surrender opportunity in order to accept control.

I urge Farm Bureau to continue your battle to minimize the role of Government in American agriculture and bring more income to farm families from the marketplace.

Continue to ask and demand from Government the kinds of technical and information services that only Government can provide. But fight to reject costly programs you don't need or want. They add to inflation and eat into your profits. Continue working with your Government to maintain a liberal trade policy that gives U.S. agriculture an opportunity to be aggressively competitive in world markets.

Knowing Farm Bureau as I do; knowing the reputation of Texans as I do; knowing the work, and energy, and dedication that have gone into the building of this new headquarters--I am confident that the Texas Farm Bureau will continue to be chief among farm organizations which, in President Nixon's words: "...remember it is just as important to keep the Government off the farm as it is to keep the farmer on."

Above all, let us work together to find new incentives for productivity in America--and let us cooperate in good faith with our trading partners throughout the world, to the end that comparative advantage in production and trade will bring maximum benefits to us all. The prize is too precious for any individual or any nation to miss--for it is no less than enduring peace, and a happier existence for all Mankind.

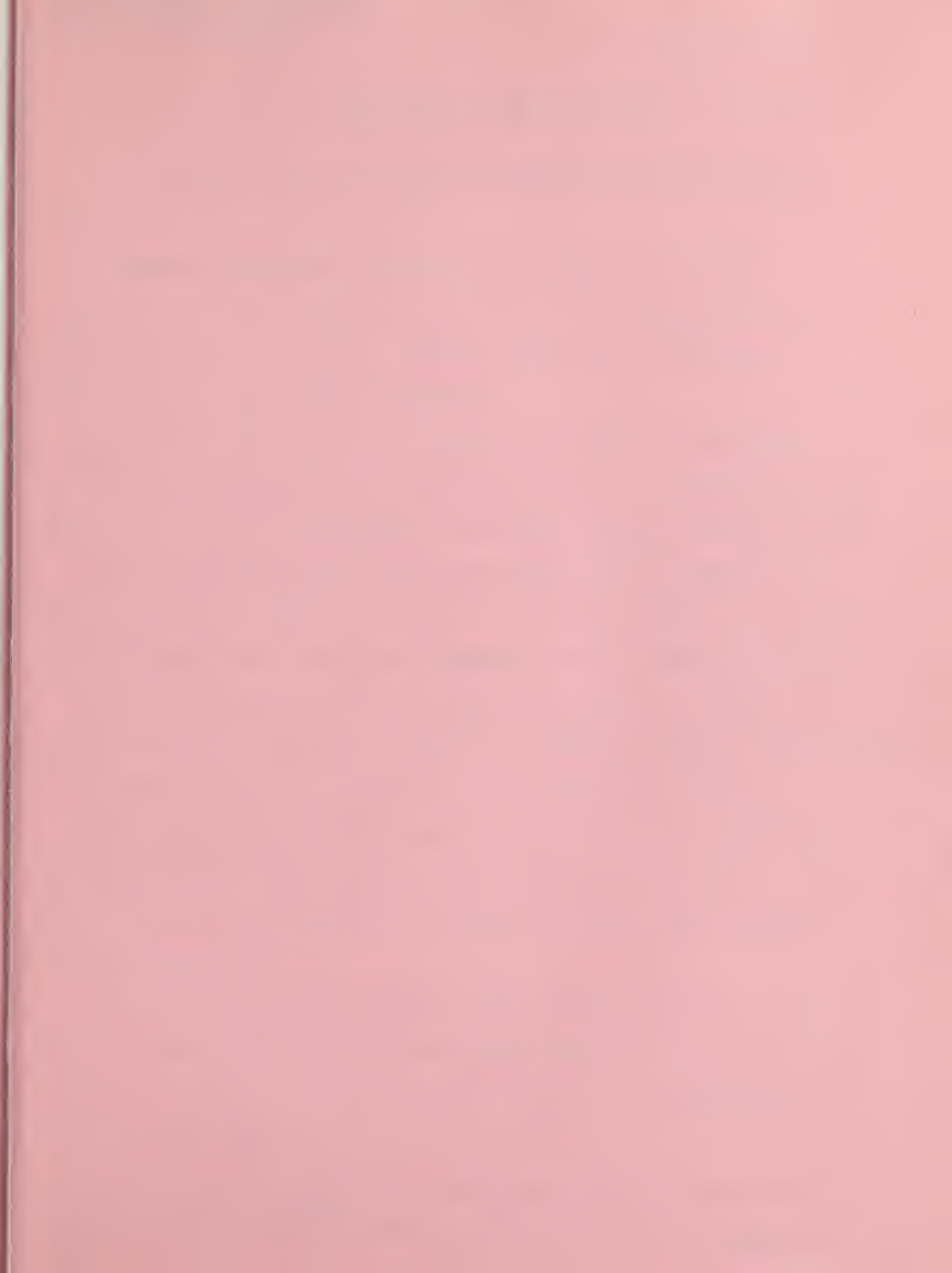
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THE ANATOMY OF BROILER PRICES

I'm pleased to be here to enjoy the hospitality and fellowship of your finger-lickin' chicken festival.

I especially appreciate the opportunity to join you in a dual salute--to the broiler industry generally on its 50th anniversary, and more specifically, to honor your regional industry and the Delmarva Poultry Industry on its Silver Anniversary.

Twenty-five years ago a small group representing the three states of the Delmarva Peninsula met in Georgetown, Delaware, to consider sponsoring some kind of activity to supplement the national Chicken-of-Tomorrow contest.

From that humble beginning grew the Delmarva Poultry Industry, Inc., which today boasts a capital investment of over \$200 million, an annual payroll of \$68 million, and contract payments totaling another \$26 million.

Your organization of more than 3300 growers produce over 300 million broilers annually. That's big business, tailor-made to consumer specifications. For consumerism is a fact of business life in the broiler industry.

Your industry has been well ahead of much of the rest of agriculture in coordinating the production sector with processing and marketing. Today, over 95 percent of the production of broilers is either under contract or vertical integration.

The housewife who buys a chicken in the supermarket doesn't see the vast and complex investment of time and money, involving thousands of people, which makes it possible for her to pick up a broiler on weekend special for 50 or 60 cents a pound.

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She doesn't realize that her 50 cents has to help support millions of dollars of investment, millions of manhours of labor, painstaking laboratory research, carefully designed special construction, and the production and processing into feed of millions of bushels of grain and soybeans.

In fact, it probably would come as a great surprise to most people living as nearby as Washington or Baltimore to know the vast extent of your giant industry. Last year, Delmarva Poultry Industry, Inc. spent over \$11 million for bags, tags, crates, boxes and refrigeration and used over \$14 million worth of heat, light and power--just so Mrs. Housewife could depend on getting a uniform, high quality, safe product when she went to the store.

The American public--and by no means is this just the American housewives--is pretty naive about the economics of agriculture or the anatomy of broiler prices.

Last year we had a price ceiling on broilers for much of the year. The 9-city weighted average prices, based on ready-to-cook weights, for all of 1972 was about 28 cents. This was cheap food, and consumers took it for granted.

For years the broiler industry has been a feast or famine proposition. As producers, you've had to make enough profit during the peak periods to tide you over and through the trough periods.

But even this partial alleviation was denied you when a price ceiling was imposed.

Under a price ceiling, the system effectively cut off your profits the moment they peaked, but left you to absorb sustained losses, with no financial relief, when prices fell.

Broiler producers, not being stupid, reacted by retrenching their operations. In response to the continuing strong pressure from consumers for low price broilers, many producers sold off their breeder flocks.

After the price ceiling was removed, the combination of overliquidation and continuing strong consumer demand pushed early 1973 broiler prices to their highest level in 20 years. Liveweight prices averaged 8 cents per pound higher for the first five months of this year than for the same period in 1972.

Now, some consumers are squawking over high broiler prices. But they fail to see that they, themselves, are partly to blame. They fail to recognize that the reason for today's prices is directly due to the fact that price ceilings made the broiler business unprofitable six to eight months ago and producers sold off or reduced their breeder flocks.

But most consumers are reasonable people. When the anatomy of broiler prices is explained in terms they can understand they are astonished. Looking back, most can see and will admit that had we allowed a little greater price increase at the peak periods several months ago, breeder flocks would not have been sold off and the industry could have gotten back into production much faster than has occurred in recent months, and retail broiler prices would have been lower.

Consumers traditionally compare posted prices of food items without regard to their real cost. So when the dollars and cents of food costs hit a 20-year high, they assume they are being gouged.

This is not necessarily true. In terms of how long they have to work to get the purchasing power to buy their food, Americans still find good bargains in the supermarket. And broilers continue to be one of their best food bargains.

The point we need to make with consumers is that whenever, for whatever reason, we tinker with the law of supply and demand--and artificially fix prices without regard to the production, processing, transportation or marketing costs--we have to pay for that tinkering.

Consumers want to know why broiler production the first part of the year did not respond to relatively high prices as it has done in the past.

The reason is that this time our tinkering went too far. We cut off the profit incentive that keeps broiler producers in business, and they reduced their breeder flocks--the place where increased production really begins.

Now we have to go back one whole biological stage in order to start again. If we had kept the breeder flocks in place we could have started the new cycle at once by setting the eggs to produce broilers. But when we have to start with the breeder egg we add an entire life span of a hen to the process.

It is now clear that our unwise accession to consumer pressures last summer may have built into the recovery of broiler supplies nearly a whole year's time lag.

The current high cost of feed, and concern over a possible shortage of fuel--particularly butane and propane gas--is causing many broiler producers to question whether they want to expand their breeder flocks at this time.

That's the lesson America must learn. In the interest of appeasing consumer pressure, we created later the highest consumer broiler prices in 20 years. It's time to drive that point home, and make sure that every consumer understands that when you cut off the opportunity for producers to recover costs and make a modest profit, you're inviting them to cut their losses, get out of that business, and invest their capital and resources somewhere else.

In trying to alleviate the extremes of low production and high production--which means high prices and low prices--we've injected an artificial interference with the basic law of supply and demand which has been in part, at least, counter-productive.

It reminds me of a newspaper cartoon I read some years ago--just a single frame that showed a man sitting and philosophizing. And his message was: " 'Pears 'bout all some folks learn from experience is they been wrong agin."

That's what we learned--that we were wrong again. And we had better remember it. For as the American philosopher George Santayana said: "Those who cannot remember the past are condemned to repeat it."

In our free society there is no way in the world to force producers to expand the production of broilers, or beef, or pork except with the prospect of making at least a little income.

When the American public understands the tremendous size of the capital investment--and the equally tremendous size of the cash input of ingredients that go into producing eggs and meat--I'm convinced they will have an entirely different outlook on broiler prices.

To obtain this kind of understanding requires that your industry, and other agriculture-related industries throughout the country, develop better communications with the public than you now have.

The wage earner and his wife understand your problem better if it's explained in terms they can relate to. For example, if you tell a wage earner his wages are going to be cut by 30 percent next year, he knows it's time to start looking for another job. If you tell the manufacturer of pharmaceuticals you're going to impose restraints on his business he's going to shift to producing a different product.

And these consumer groups have both a right and an obligation to know that broiler producers, with their capital on the line, are constantly looking ahead for signals from consumers. When it becomes obvious that customers aren't satisfied with what they're getting, or don't want to pay for it, these producers react promptly to reduce or curtail production.

In a nation growing at the rate of about 2-1/2 million people a year--where 71 million, or 35 percent, of our population live in urbanized areas of over a million people each--we have to be concerned about national policies that may tend to discourage needed food production.

We must be committed to a national policy of more protein, of a higher level of nutrition for all our people.

There are just two ways to commit to that policy.

One. We can go the way of socialized agriculture, where all decisions are made at the top.

Or, two. We can maintain our free society and make our commitment through the market price route.

The experience of recent years in the Socialist nations of the world is that their system doesn't work. Today, the United States is, in the final analysis, the world's great reservoir of food. And the reason is that we have free farmers, working in a competitive environment, seeking to maximize their profit.

History of the past decade is filled with examples of agricultural failures under Socialistic systems. That same history is replete with illustrations of success where farmers have been free to make their own decisions.

If you agree with me on the problem, I hope you will also agree on what we need to do about it.

The challenge to all of us is to help raise the level of economic literacy of the American electorate. We need to understand the basic function of price and profit in our economic system.

As the Delmarva Broiler Industry moves into its second quarter century, I ask you to consider committing some of your knowledge, talent and know-how to helping non-farm consumers learn the basic facts about where their food comes from--and how--and why.

If you, and all of agriculture, will work together to achieve this goal, we will be able to stand here on your Golden Anniversary and say: We did learn from the broiler fiasco. We did remember the past. We have not repeated our mistakes.

On that day farmers will be producing for economic incentives in the marketplace, consumers will be well-fed, and America will be strong and free.

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THE SELF-HELP WAY TO MARKET EXPANSION

I'm delighted to be here in your beautiful State--a place where Ponce de Leon couldn't find the Fountain of Youth, so you brought in the Disney people to build one.

It's always a pleasure to come to Florida, but I think you should know that I'm really here because of the strong urging of my good friend and your able Senator, Ed Gurney, who indicated this is one of the very fine Florida organizations. Both you and the Senator have a right to be proud of the record you are writing in the annals of Florida agriculture.

The Florida Citrus Mutual is an outstanding example of the self-help way to market expansion. Since your beginning in 1948 you have grown to a membership of more than 15,000 growers in 37 counties.

The consistent pattern of growth and development of your marketing cooperative is ample evidence that you are doing something right. I know the hard work and the dedicated service that goes into keeping growers informed on product uses and marketing. The public seldom gets a look at the competent staff of specialists who keep the industry informed, and who so ably represent growers' concerns to the various agencies of Government, including the legislature.

I want to pay a special tribute to you growers. The citrus industry deserves a pat on the back for facing up to really tough problems and opportunities--and getting the job done without depending on the Government to solve your difficulties.

Address by Secretary of Agriculture Earl L. Butz at Annual Meeting of Florida Citrus Mutual, Winter Haven, Florida, June 19, 1973

As you well know, when the Florida orange bearing acreage reached a peak in 1956/57, and again in 1960/61 --both times that peak was cut back by a freeze. But Florida growers picked themselves up, assessed the situation, and saw that the opportunity was still bright. They tackled the job that had to be done and built their industry back without Federal help and free from Government interference.

I am told that your orange bearing acreage has increased steadily since the 1962/63 season and reached a record of 690,000 acres of trees in the 1970/71 season. A freeze in January 1971 pulled that acreage back again, so I understand that today you have about 650,000 acres of bearing trees and another 36,000 acres of trees not yet of bearing age.

I mention these examples and figures because I want to emphasize that there is a risk involved as well as opportunity.

Those who shrink from taking risks inevitably try to huddle under the protective mantle of Government to provide them with security in their undertaking.

It is not the way of the citrus industry.

Bouncing back from the effects of adverse weather conditions is not easy. You have new trees to plant. You have to replace some bearing stock, too badly damaged to recover. This is a costly procedure, and one that cuts deeply into profits for several years. For example, after the freeze in 1962 it took five years for groves to recover and gradually climb to a record high yield of 268 boxes per acre in the 1966/67 season. In the last few years, the orange yield has been about 215 boxes per acre, reflecting the increased proportion of younger trees and the effects of freeze.

Meantime, the costs of staying in business continue to mount. I had some of the economists in the Department do a little arithmetic on this, and we concluded that a grove of 1-year old trees would have been valued in 1965 at about \$975 per acre. That's figuring the cost of the land, the trees, water, equipment needed to take care of the crop, cover crops, cleaning operations, taxes, fertilizer and so on. Today, that same stand of 1-year old trees, figuring the same expenses, would be valued at about \$1200 per acre.

With this kind of investment, citrus growers have to be alert to seize each new opportunity as it arises, and to make new opportunities whenever they can.

That's what Florida Citrus has done.

You have created and developed the frozen concentrated juice business far beyond what many dreamed possible only a few years ago. You have moved away from the whole fruit concept. Today, over 90 percent of the Florida crop is processed, with frozen concentrated juice being the principal product.

In my home, Mrs. Butz buys the frozen orange juice. We enjoy it every day. It's more convenient than buying fresh oranges and squeezing them each time. You don't have the squeezer to wash, you don't get juice all over your face and hands--it's just more convenient. If you hadn't merchandised your quality product and sold it to me, I'd probably still be squeezing oranges for breakfast the hard way--but I wouldn't be using as much of your product.

Florida citrus has worked closely with the USDA and with other industries cooperatively in export market promotion in general, and Florida citrus in particular.

The Department of Agriculture has been working since 1967 with the Florida Citrus Commission and private companies in a highly successful joint sales promotion program for Florida citrus juice in Europe.

Sales to European countries involved in the project have almost tripled from 6.4 million gallons in fiscal year 1968 to 18.5 million gallons in fiscal year 1972.

The dollar value of Florida citrus juice sold through this program has also tripled, increasing from \$5 million in 1968 to \$15 million in 1972.

I read a few weeks ago in the Journal of Commerce that full container loads of Florida fruits and vegetables will soon be moving from Florida farms and packing plants to Europe and Scandinavia.

I think this is typical of the kind of self-help Florida farmers are generating for themselves.

Another example is the pioneering you have done in exporting grapefruit to the Far East, particularly Japan. It's not easy to break down the trade barriers that develop over many years. But you've done it. And, largely through your efforts, and because you had a quality product available in the quantity and quality her population wanted to buy, Japan has liberalized her import restrictions on fresh grapefruit. For the 1972/73 season total exports amounted to over 5 million boxes, almost double the level of the previous season. And practically all of the increase went to Japan.

There are other factors, of course. The recent devaluation of the dollar lowered the price of U.S. citrus in terms of foreign currencies. Certainly, this factor will add to export demand of all commodities, including citrus.

But none of these other factors detracts from the essential point that farmers themselves--looking to their own resources--have created the organizations and the agencies they need to develop markets and supply them.

As producers you are taking the risks yourselves. You do not ask the taxpayers to shield you from those risks. And for taking that risk yourselves you expect, and are entitled to, the profits that result when you make your own opportunities.

When I think of self-help, I also think of the Florida beef industry. That bunch of big-hatted, independent entrepreneurs fits into this same category of free enterprise agriculture. And I can't speak too highly of the tough, self-reliant, rugged character on which self-help is founded--whether it be in the citrus industry, the cattle business, in vegetable growing or any other enterprise.

Certain similarities show up in all of these independent industries. There have been times of good growth, and times when growth was not so good. There have been years of good prices, and of not so good prices. Each industry has had to go after and develop its own free market; and without exception each successful industry has done whatever was necessary to move ahead.

Sometimes it has taken belt tightening. Always it has required a great deal of self-discipline. It has taken self-assessment. And sometimes it has taken resistance on the part of industry leaders who kept the vision of a growing market ever before them and finally persuaded others not to go the Government support route.

And you who have dug in your heels and reared back sometimes to keep your industry free of Government interference must receive a great deal of satisfaction from knowing that you're on your feet at last, and that the stage is set for new opportunities both at home and abroad.

European buyers visiting the United States nearly always advise U.S. growers to forget about Florida and New York and Chicago market prices as an index to selling abroad. They say--and rightly so--that competitive prices at the retail point of sale are what counts. This means that individual growers, working with organizations such as Florida Citrus Mutual, the Florida Citrus Commission, and others must figure production costs, transportation and marketing costs, and any other costs associated with doing business overseas. Only in this way can you really be in a position to put the pencil to the problem and know for sure just what price you must have for your product delivered to a buyer in Europe, or Asia, or the Soviet Union.

Other factors enter in, of course, particularly in the European Common Market where some preferential trade agreements exist between European nations and some orange producing countries on the Mediterranean.

These are not to be taken lightly, but you don't have to battle these problems by yourself for they are also areas of concern to President Nixon, to Ambassador Eberle, and to all of us working to protect the interests of American agriculture in the approaching round of international trade negotiations which begin this fall. I assure you we are going to do everything we can to assist Florida citrus to expand its export business on terms that are profitable to the growers.

Citrus will profit, too, from the growing affluence both in the United States and in other countries around the world. Inflationary pressures and consumer demand in other nations are causing national and international goals and systems to adjust as never before.

People are getting more income and they are spending more of it to eat better. In some places, this improvement may mean simply eating more staple foods. But often it means adding variety, and fresh fruits are high on the list of desirable foods--along with beef and other red meats.

Disposable incomes also are increasing faster than food costs in the United States. Our national concern for nutrition is paving the way to more opportunities for healthful citrus sales. Food stamps increase the purchasing power of families, and fresh fruits rank high on the list of foods low income families purchase with this increased buying power. We are including more items with high nutritional value on the list of foods purchased for school lunches and institutional feeding. Last year 107 million pounds of citrus products were purchased by the U.S. Department of Agriculture for federal food distribution programs.

The Agricultural Act of 1970 heralded an attempt by this Administration to move agriculture away from dependence on the Public Treasury towards independence and market building. We started the approach with programs for wheat, feed grains and cotton because they are the major crops that affect most of the nation and serve as a bellwether for most other farm commodities.

Farmers have responded enthusiastically to the concept of market-orientation. For three years they have been adjusting production patterns on their individual farms so they can maximize profit by producing in response to signals coming to them from the marketplace. Last year net farm income was at an all-time high of \$19.2 billion. For 1973 we expect net farm income to exceed \$22 billion.

Our goal remains to help all of agriculture move toward production that is geared to marketplace signals which reflect living standards and market demand around the world.

The goal we seek in new farm legislation now being debated in the Congress is to get Government off the backs of farmers and at their side.

As we work toward that goal, the Florida citrus industry gleams brightly ahead of us as a shining example for the rest of agriculture to follow.

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CAPITAL--A MAJOR TOOL OF MANAGEMENT

American agriculture is on the move. Farmers appear headed for another year of dynamic production growth and strong prices.

Last year, net farm income in the United States reached the all-time high of \$19.2 billion. This year, farmers are expected to smash that record with net earnings of more than \$22 million.

Set-aside requirements for wheat, cotton and feed grains have been relaxed to encourage additional production, primarily of food and feed grains.

The Farm Credit System will play a significant role in helping farmers meet their production and profit goals. The opportunities have never been greater for services of the kind you offer through your 46 Land Bank Associations and your 60 Production Credit Associations in the four-state area represented at this meeting.

Teaching farmers to read a balance sheet, and to manage their capital, is a job the Farm Credit System probably does better than any other organization. And this is a year farmers need more credit.

North Carolina farmers are increasing their planted acreage by nearly 400,000 acres. Georgia and South Carolina are each increasing their plantings by about 200,000 acres, and Florida farmers are increasing by about 100,000 acres.

Your record of service to farmers already is impressive. The Federal Land Bank in Columbia has nearly \$1 billion outstanding, and the Production Credit Associations of this region reported making \$725 million in loans through 1972.

Address by Secretary of Agriculture Earl L. Butz at the Annual Conference of Federal Land Banks and Production Credit Associations, Bal Harbour, Florida, June 19, 1973, 7:35 a.m., EDT

Nationally, the Farm Credit System in 1972 was second only to the U.S. Government in total sales of securities in the Nation's money markets.

I don't have a complete breakdown for the region, but nationally the Farm Credit System handles about one-fourth of all U.S. farm loans.

This year you have a new program--rural home loans. And this region has led the nation in the implementation of this new lending authority which helps farm families obtain and enjoy more of the good things associated with a better life in the country. You in this 4-state area have made rural home loans totaling \$12 million--more than a third of the national total of \$30 million loaned under this new program.

We applaud this fine showing, although we anticipate that your major role will continue to be that of providing needed credit for farm loans.

This year, farmers may well boost the total national farm debt by 8 percent, borrowing an additional \$4 billion and winding up the year with farm debt outstanding of \$75.8 billion.

Most lenders see no difficulty in supplying credit needs of that magnitude. What will be the exact price farmers may have to pay for borrowed capital is not so clear at this time. Many lenders agree that pressures in the general economy will push interest rates up, but by how much is not certain.

A prediction made at the annual USDA outlook conference last February suggested an increase of around 1/2 percentage point for farm short and intermediate loans, with most of the movement coming after July. Increased interest on long term loans is generally seen as something less than the 1/2 percent--perhaps half of that.

In the Southeastern States, most farmers have made their credit arrangements for this year, especially those having to do with additional land acquisition, land preparation, seed, fertilizer, extra machinery and so on. However, where unseasonal weather has delayed spring farm work, caused a change in cropping patterns, or resulted in additional, unplanned land preparation cultivation, or weed control operations, additional credit may be needed.

Farm real estate transfers will continue, along with investments for other major improvements. Most of these will call for external financing.

A very important indicator of how well agriculture is doing is the balance sheet.

We have estimates of the value of farm assets owned by operators and landlords. If we measure this by the amount of debt against those assets, the difference is equity, or net worth.

Over the past third of a century, the total farm assets have shown a fairly steady rising trend--from \$53 billion in 1940 to \$371 billion in 1973, or a 7-fold increase. Only three years--1950, 1953, and 1954--actually show a decrease.

During the same period, farm debt took a slightly different path, but except for the first years, it also has shown a steady rise. Farm debt was \$10 billion in 1940. It dropped to \$8 billion in 1946, but since then it has moved sharply upward, reaching an estimated \$72 billion at the beginning of 1973. Thus, farm debt is 9 times more than in 1946, while assets are only 3-1/2 times as great.

Net worth followed the asset values rather closely when the debt rise was slow--in the earlier years of our comparison period. The lag in net worth has been more noticeable in recent years as debt accelerated. Farmers' equity (net worth) in 1940 was only \$43 billion. This rose to \$299 billion on January 1, 1973--this was nearly a 7-fold increase in those 33 years. The ratio of debts to assets was 7.2 percent in 1948. This ratio moved up gradually to 19.7 percent in 1972. It now has dropped to an estimated 19.4 percent.

What this really tells us is that farming is big business--and getting bigger every year. Rapid substitution of capital for labor has been a major factor in the efficiency of farm management. Credit is the lifeline of modern farming just as much as of any other business.

Not everyone understands this--including some farmers. We take certain fiscal practices for granted as long as they are in the world of general business, but it still is difficult for many to relate those same business terms to farming. It still comes as a shock to some farmers to discover the extent to which they have been encumbering their assets with more debt. And more farmers need to learn how to use credit as an effective tool for profitable farming.

Lenders have a high regard for the integrity of farmers and for farm loans. Farm Credit System bonds, offered on the Nation's security markets, consistently have a good reception at competitive market rates.

The final proof is that in the past 30 years farmers always have had an adequate supply of credit. Even in the tight credit period of 1969-70, interest rates on farm operating loans in most cases averaged lower than the prime rates large city banks charged their best borrowers.

Farmers will depend a great deal on the Farm Credit System to maintain this good record. You are a principal source of advice for borrowers. More and more loans are being made on management and repayment ability, rather than strictly on a collateral basis. This is a sound business technique, but it cannot be done carelessly. A year of high income such as 1972 was, and as 1973 indicates it will be, could cause some unwary borrowers to lower their guard and overreach themselves with loan contracts.

Part of your challenge will be to assist farmers not only with making loans, but in helping alert them to possible hazards along the way.

For example, how would price fluctuations of the commodity produced affect the ability of a farm to repay its indebtedness? Each particular farm business will need to know what price stress it can withstand without serious financial damage. Working with individual farmers on management problems such as those is part of the personal relationship for which the Farm Credit System is noted.

The PCA committees have a national reputation for excellence in training, both in management and in their public relations work with farmers. The Columbia banks, in particular, have been singled out on many occasions as an example in decentralizing their operations and giving managers increased responsibilities and opportunities to provide individual and specialized services to their producer clientele.

One problem that really hasn't been faced up to all the way is the extent of capitalization of the family farm which has occurred in the lifetime of many of our present farmers who now are about to retire.

When some of these farmers started out their farm assets were worth maybe \$50,000. Now, without farmers themselves really being aware of it, those same holdings may be worth as much as \$250,000.

This group of farmers has a problem. They grew up in an era where the owner, operator and manager of the farm was one individual.

That day has largely disappeared.

The times have changed when a father could pass along the farm to his son with no problems. Now, if dad dies intestate the estate is apt to go into court for settlement that may take two years or longer. In any case, there will be a large bite taken from it for inheritance taxes, legal fees and the like. Sometimes legal red tape hampers farm decisions that affect income.

The Farm Credit System is helping many farmers plan their estates so that the transfer of ownership avoids long legal entanglements in probate. For this you deserve our commendation.

Teaching farmers how to handle capital as a major tool of farm management is absolutely essential if we are to maintain the high productivity of American agriculture.

There is a healthy momentum going for agriculture. If we move wisely and soundly, the Nation's farmers can begin to taste some of the fruits from the Promised Land of growth and affluence which have been only a fond hope for many of them for so many years.

We should set our sights on no less than this.

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Advance for Release at 6:30 A.M. EDT, Tuesday, June 19, 1973

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UNITED STATES AGRICULTURE
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RAISING THE ECONOMIC LITERACY LEVEL OF U.S. READERS

Our communications job would be well-nigh impossible without the support and leadership you--and other farm-oriented media--give in telling the story of agriculture to the public.

Yet, as we all know, our major successes have come in reporting the facts. Our biggest challenge is still how to get more of the "how" and "why" across to the American public, along with the "what" which they now seem to get rather well.

There is a great need to raise the level of public economic literacy. I see this as the major challenge to professional communicators and educators today.

So many Americans are so busy earning a living they don't pay much attention to why things happen as they do.

Even you and I absorb a lot of second-hand opinions.

We get up in the morning and a fat morning newspaper is on the doorstep. We catch the morning news on radio as we shave. Most of what we get in the way of news between wake-up time and arrival at the office is encapsulated, headlined, and pre-digested for us by national opinion makers. Unless we are wary, we can easily accept as fact the opinions or statements of someone else.

Before I get misquoted, let me pay tribute to the quality of news reporting in the United States. It's the best in the world. It's the best we've ever known in the world. Journalistic standards are high, and most newsmen with whom I've worked through the years have high ethical standards.

Address by Secretary of Agriculture Earl L. Butz at American Agricultural Editors Association, Washington, D.C., June 20, 1973, 12:00 noon EDT

But the emphasis we put on being first to report a fact or event sometimes keeps us from putting those facts or events into a proper perspective. And I guess we all have known some writers and editors who seem never to let the facts interfere with a good story.

The fierce competitiveness of the news business typifies one of the main strengths of free enterprise. But it also spotlights squarely the responsibility of those who report situations and events to make sure the public has access to all the facts. It is twice as hard to crush a half-truth as the whole lie.

The tone and content of farm magazines is more reflective than that of the daily newspaper, yet essentially you are interested in the same business--keeping the public informed.

Your publications do a better job of explaining events and situations. Your articles contain more economic facts, and usually they are placed in some political or social frame of reference that gives them more meaning for perceptive readers.

For this very reason, I believe the Ag Editors are the nucleus of the total media which can make the greatest contribution toward raising the economic literacy level in America.

USDA agencies and all of us who work directly with you can and will provide back-up support with research, statistics and facts. But leadership in a joint effort should come from the private sector.

I'm not talking about a propaganda apparatus for the Department of Agriculture. I'm sure that your independent spirit would never allow any joint effort on our part to devolve into that kind of arrangement.

But the time appears right for some concerted effort that will shake up the readership of America and challenge it to question and test what is offered as news. Readers need to ask themselves: Are these all the alternatives? What would be the consequence of each alternative? And, of course, each reader must be left free to draw his own conclusions.

Turn with me, if you will, to some recent events that made, and still are making, headlines: The boxcar shortage, the cost of food, the fuel shortage, the price of feedstuffs, increased exports, balance of payments, dock strikes.

For many to whom one or more of these subjects created problems the search was on to find a scape-goat. Some were inclined to blame the Congress, or the President, or the Secretary of Agriculture.

Yet such a simplistic answer to any of these complex subjects is unfair.

Let's begin with those who blame the Congress. What are they really saying? That Congressmen are good, or bad, or irresponsible? Readers are entitled to know why Congressmen vote as they do, insofar as those reasons are apparent and understood.

Every Congressman is motivated by the urge for survival. He knows what the people in his District expect of him. He responds to their needs and desires, or he doesn't stay in the Congress. So if the public wants to understand what influences a Congressman to vote as he does, it must first be aware of who that Congressman represents--what is their attitude toward a problem? What is their economic IQ? Is there a need for facts to be developed and presented to that constituency?

The Congressman stands for election every two years. Senators are elected for six years. But even in the Senate, pressures from constituents are heavy. Some cynic once said a senator has two years to be a statesman, two years to be a politician, and two years to be a demagogue--except in the "safe" districts, which are becoming fewer all the time.

Or, let's look at the bureaucrat--the man appointed to office by the President or the Administration in power. He serves the Administration that appointed him. He comes on board with a philosophy of government that reflects that Administration. And if he's worth his salt, he does his best to carry out Administration policies.

That doesn't mean he's a rubber stamp. That doesn't even mean necessarily that he agrees with every provision of every program that he winds up supporting. It does mean that as a member of the Administration's team he has certain program objectives and priorities that are inherent in his role as bureaucrat.

A third group works with, for, between, and among the Congress and the Administration. This group develops positions, researches facts, offers opinions, accentuates and reinforces--or pulls apart and denounces--plans and decisions that affect its clients. These folks are the professional lobbyists who represent producer groups, commodity organizations--nearly every business and profession--to keep its public image burnished and gleaming.

The managers, the Washington representatives, and others who represent this group are not elected by the public. Neither are they appointed by the Administration. But their contracts and options come up for renewal at the annual meetings of the organizations they represent. They do have a clientele. They do have an urge to survive which makes at least some of their actions and statements fairly predictable.

The competency of editors to sift, sort, arrange and present to the public news articles that are perceptive, informative, balanced and interpretive is challenged with each new development in the day's agricultural news.

You have the opportunity to really put it all together for the public. We can help you. So can the other people we've talked about.

As editors you enjoy the respect and professional recognition of your reading public. Your credibility is greater than that of the Congress, or the bureaucracy, or the pressure groups which represent one segment of agriculture. Deep down, we all have an innate suspicion of the man with a cause, no matter how noble the cause may be. But you are largely free of that suspicion.

In fact, you may be partly the reason for the public's suspicious nature. Part of your job is to be skeptical of what is offered you to publish. Your readers depend on you to check out the facts, and not to mislead them.

This is not to say that editors don't have causes. Some of you have been known to crusade for things you believe in. Some of you have struck out boldly against things you thought were wrong.

Being fair doesn't mean being neutral. It does call for a balance in presentation.

There is no doubt in my mind that the public is just waking up to the greatness of agriculture, and to the tremendous role it plays--and must continue to play--as we move in a generation of peace.

The public is aware today of the fact that meat and milk and eggs and fruit and vegetables aren't manufactured in the grocery store. They know that there is a farm involved in the production process.

The public does not yet fully understand the relationship between production and retail price in the supermarket. They know there are middlemen, but they have not yet identified all of them, and they know almost nothing of the role they play. They have some awareness that farmers produce food, but they have almost no concept of the costs of production.

They know that U.S. farm commodities are sold in export markets, but very few know the extent of world demand. Even fewer are aware that efficient agriculture in this country depends on exports to market the production from one-fourth our harvested acres. Many Americans know we have a negative balance of payments. Very few know that agriculture is contributing a favorable balance of about \$5 billion in fiscal year 1973. Without this contribution, our balance of payments would deteriorate, our international prestige would suffer, our negotiating position at world trade and peace conferences would be weakened, and the fires of inflation would be freshly fueled and fanned to dangerous levels here at home.

The American Agricultural Editors Association has a responsibility to make these facts known. It may be the greatest challenge facing you in this new era of market-oriented agriculture. Meeting this challenge is absolutely essential if we want to win and maintain public support for agriculture.

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WHAT'S RIGHT WITH AMERICA

It's great to be an American. I'm sure we all feel this way. We are proud of our country and of its accomplishments. We are proud of our people and of our spirit.

In just three short years we will celebrate 200 years of our union--an experiment in government which has proved conclusively to the doubters and the faint of heart that a democratic republic serves well the cause of an educated and enlightened electorate.

Oh, yes, we hear a lot about what is wrong with America. But this is really nothing new. It is carping of this kind that keeps Americans alert and on their toes. The events of recent months prove that our system works, not that it doesn't work.

How would you react to a statement like this: "Americans are in general the dirtiest, most contemptible, cowardly dogs that you could conceive!"

These words were spoken by General James Wolfe, commander of British Forces in the French and Indian War, hero of Quebec. And it was these words, along with similar sentiments expressed publicly, that led Richard Henry Lee to propose to his fellow delegates to the Second Continental Congress in June of 1776 that "These colonies are and of right ought to be free and independent States."

Lee's motion was referred to a committee of Jefferson, Adams, Franklin, Livingston and Sherman. The committee delegated to one member, Thomas Jefferson the responsibility to draft a Declaration of Independence.

Address by Secretary of Agriculture Earl L. Butz at public meeting of Young Civic Leaders, Kenansville, N.C., July 2, 1973

It took Jefferson just 18 days to strike off this document which has been called the classic expression of the basis of free government.

An essential point to remember is that this significant document was not the result of a nation aflame with desire for greatness. It is estimated that not more than a third of the electorate--which then was made up of adult, white males--ever put their approval on the American Revolution.

During the long hot days of mid-June and early July, 1776, while the Declaration was being written, no throngs pressed eagerly into Philadelphia to approve. Indeed, only in retrospect are we able to muster up the drama that rightly belongs to that momentous occasion.

When the debate began, a hundred arguments were summoned against independence. Listen to how contemporary some of them sound:

- The people have not spoken clearly.
- The time is not right.
- The Congress has no power to declare independence.
- The colonies are not united.
- The British military might overwhelm us.
- Delegates would lose their property, prestige and power.

If we were asked to name the signers of the Declaration, most of us would have to give up after only a name or two. John Hancock, of course, is remembered for his bold signature which led to his name becoming a euphemism for any signature.

The story is told of a bookstore owner who said she'd be hard put to name any signer other than George Washington and Patrick Henry--and then was shocked to learn that neither had signed the Declaration.

Even as we strive vainly to recall the long-forgotten names, we nevertheless still thrill to the spirit and the inspiration that comes with the memory of men who saw the true potential for greatness of America. These men refused to be convinced by the prophets of doom and gloom who preferred the security of a strong central government in Great Britain to the independence of thought and action that could be achieved only with individual freedom to speak and act, based on each person's own individual decisions.

It's time we regain our perspective and look at what's right with America, starting with these facts:

We are the recipients of that great heritage.

We are proud that the American economy which springs from that heritage is by far the freest, the strongest, and the most productive economy in the world.

Our economy gives us the highest standard of living of any nation on earth.

We are in the middle of one of the biggest, strongest booms in our history.

More Americans have jobs today than ever before, and at higher wages.

Your income buys more today than ever before, even at inflated prices.

Even the people on welfare in our country live better than the top third of any other nation in terms of the things they have--electricity, running water, central heat, indoor toilets, radio, television, automobiles, public health, food assistance--and dozens of other items.

Those are for openers. When we hear the professional pessimists bewail our Nation's problems, we have an obligation to respond and set the record straight about what is right in America.

I suppose that throughout history, each oncoming generation has believed it had reason to criticize the previous generation for making a mess of things--and probably many of you here today feel you have justification for leveling the same kind of charges at your parents' generation.

Still, I don't feel ashamed of some of my generation's accomplishments. Your parents' generation put America on wheels, made electricity available to homes throughout the land, created the wonders of television, wiped out the scourges of typhoid, diptheria, bovine tuberculosis, polio, and succeeded in getting men to the Moon and back.

My generation made it possible for all of you to be here today--alive and healthy, instead of one-fifth of you having fallen victim to the Grim Reaper, before age 20, as was true a couple of generations ago.

It was my generation that made America the best fed Nation in history, at a high level of nutrition; at a cost under 16 percent of take-home pay.

That's not too bad a record. We have kept this America of ours pretty solid. We have kept the doors of opportunity open--we have maintained a viable economic and social system for you to use, as you will for your maximum benefit and for the benefit of society. At the same time, we recognize that the comforts, food abundance, and affluence of this Nation have been achieved at heavy cost. Much of the dollar cost, and many of the problems that we can see in such by-products of progress as pollution, environmental deterioration, and resource depletion, are part of the legacy that you will inherit.

However, lest this seems like too gloomy a prospect, we can all recognize that modern society has steadily evolved to new levels of maturity and awareness. We have come to a point where, in my opinion, rational people are determined to seek the solid common ground between economic interests and environmental concern--and by environmental concern I mean concern about our ore and mineral resources, concern about our land, air, and water resources, and concern over our future energy needs.

Hardly, a day goes by but someone points with alarm to the high cost of living.

There is no argument that most prices have gone up very rapidly. By the end of last year the economic policies of President Nixon had brought the rate of inflation down to 3.4 percent. Then the rate began to climb again. We still have the best record against inflation of any major industrial Nation, but we must be concerned with the insidious nature of inflation which robs us of true purchasing power and negates the gains achieved through efficient production.

But, because of the renewal of inflation pressures--and the accompanying political pressures--President Nixon was forced to clamp a 60-day freeze on price increases. The freeze holds prices at levels no higher than those charged during the first 8 days of June. It covers all prices paid by consumers. The only prices not covered are those of unprocessed agricultural products at the farm levels, and rents.

Wages, interest and dividends will remain under their present control systems during the freeze.

The extra dollars in the hands of affluent consumers are a principal cause of rising food prices, just like rising prices of nearly everything else, although most consumers don't realize it. When housewives boycotted meat, bringing prices down a bit, many boycotters didn't understand that their actions proved it was their strong buying that put prices up in the first place.

They didn't understand that rapidly rising consumer affluence, reflected in the marketplace, pushed up the price of available meats and some other foods faster than the biological constraints of nature allowed additional supplies to be produced. The same was true of prices of many other things, too.

Consumer pressures have forced the Administration to freeze retail food prices temporarily, although some of us believe a freeze policy is self defeating in the long run.

Consumer demand for food priced near or below the current cost of production is forcing cattlemen, hog raisers, broiler producers, canners and many other food producers and processors to curtail production. Their alternative is to produce at no-profit or a loss. That's the self defeating part.

Most consumers would prefer adequate food at moderate prices rather than to have low prices but no food on grocery shelves to buy.

If we could let price serve its function, we now could look ahead to increasing food supplies and moderating prices. It is self defeating to kill the incentive for increasing food supplies.

When we say to a farmer in effect: "Look, I don't care what it costs you to produce a pound of hamburger; I don't care how much money you have to invest to produce a dozen eggs, or a quart of milk; I don't care about the production cost of pork chops, or broiler chickens, here's the price I'm willing to pay, and no more." When we give farmers this kind of ultimatum, they have but one recourse. They take the mother cows, and the brood sows, and the breeder and egg-laying flocks to market. They cut their losses and they invest their land, time and money in some other enterprise where they are free to earn a reasonable profit and make a decent living.

I think consumers just don't understand these economic facts of life. I also think that when they do understand them, consumers will be the first to demand conditions which will increase food supplies and bring prices into line.

That's what democracy is all about. That's how our system works. We make mistakes in a democracy--but we remain free to correct those mistakes. We swing too far one way or the other. Those who are impatient, tire of waiting for the correction in our democratic system. But the self-correcting system is better than a system where the aberrations are set in the concrete of bad laws.

In another important economic area, there are some hopeful signs emerging--that's on the labor-management front. No-strike contracts and more moderate wage settlements, to name just two.

These signs tell us some things. They tell us that management and labor know how to read a balance sheet. They say that both management and labor understand that no one wins in a prolonged labor stoppage. They indicate that labor and management both appreciate the fact that four-and-a-half million new civilian jobs have been created in the past two years. These signs tell us that both labor and management are benefitting from our tremendous economic gains--gains that have brought, in two years, a seven and one-half percent rise in real per capita disposable income--the amount of money left to spend after taxes and after inflation. If only some labor leaders and consumer advocates understood something of the incentive system and what it takes to increase food production!

Today, in America, we have a magnificent opportunity.

Today, the doors of opportunity are swinging wider than ever before. These are some of the other things that are right.

We are closing out an era of a divisive war and conflict in Southeast Asia and embarking on an era of peaceful assistance to the peoples of that troubled part of our world.

We are now reaping the first fruits of the history-making visits and negotiations of President Nixon last year with the leaders of the Soviet Union and the Peoples Republic of China.

The people of these great nations, no less than the people of the United States, are growing more affluent all the time. They, too, want to eat better, have better houses to live in, enjoy more of the good things of life.

It's interesting to see that the leaders of the nations with the tightest economic controls are looking to the United States to supplement their own food production by purchasing food and feedstuffs in the United States.

In the main, the Socialist nations are in chronic trouble on the food front. They are coming, with their already precariously depleted foreign exchange, to U.S. farmers, where a market-oriented pricing system has given us abundance.

Expanded trade with these new trading partners, plus constant growth of our export markets with traditional customers in Europe and Asia, will allow us to expand other peaceful production opportunities not only for U.S. agriculture, but for other business, travel, scientific, educational and cultural exchanges.

Full production for commercial markets will allow U.S. producers to produce more efficiently.

As more goods are available, both at home and in world markets, the prices will tend to be more in line with consumer expectations.

We hold the future--our future--in our own hands.

By working together, understanding not only our own problems, but also those of our fellow Americans, we can develop bold responses to the challenge of our temporary economic problems. We can lick inflation. We can continue our forward momentum.

If we seize the opportunities now presenting themselves both at home and in our international councils, there is no challenge too great for America to face--and overcome.

There is only one way to achieve all these goals--and that is to increase our productivity. I know it's not very exciting to talk about productivity--it isn't front-page headline or prime TV news material. Few students get "turned on" by the possibility of "doing their thing" to boost human productivity.

Nevertheless, to increase human and industrial productivity must remain a foremost objective of our society. Now as never before, this country needs to revive the work ethic that brought us the goods and services that add up to the world's highest standard of living.

That work ethic needs now, as never before, to be reinforced by incentive. America attained greatness because for nearly two centuries the American people produced under a competitive incentive system--the chance to earn, to innovate, to own, to be different, to keep something for themselves, to maximize their individual worth in some close relationship to their own dedication and hard work.

There is urgency to all this. America would be in less of a predicament today--with inflation at home and burdensome trade deficits--if we had not fallen behind Japan and Western Europe in our rate of productivity increase. Our society must break free from the insidious trend toward the reliance of people on government for their security, income, and well-being.

Let it be the resolve of everyone here today to prove once again the truth in the words of a great President, who said last January, "America was not built by government, but by people--not by welfare, but by work--not by shirking responsibility, but by seeking responsibility!"

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AMERICA'S NEW RESPECT FOR AGRICULTURE

Just one year ago in Orlando, I set forth to this potent assemblage of farm broadcasters four critical questions which have proven to be the key farm policy issues facing this nation.

Let me jog your memories just a bit with those four questions:

--Do we want an expanding agriculture----or a shrinking agriculture?

--Do we want voluntary programs----or rigid mandatory controls?

--Do we want a market-oriented agriculture----or a government-dominated agriculture?

--Do we want farmers to have leverage in the marketplace----or Government to have leverage in the marketplace?

I remarked a year ago that you were in a unique position to bring these key issues into focus. You and your brethren among the agricultural editors, the farm writers, and the Ag Relations pros have done so.

When the real alternatives have been clarified, the following preferences come forth clearly: we want an expanding agriculture; we want voluntary farm programs; we want a market-oriented farm economy; and we want farmers to have leverage in the marketplace.

With your help, we have settled on the right answers to the critical questions facing agriculture. However, we have not yet achieved complete success in making these solid answers the law of the land.

Decisions in three critical areas will determine whether we succeed or fail----the farm program, trade legislation, and Phase IV Economic Policy.

Address by Secretary of Agriculture Earl L. Butz before the National Association of Farm Broadcasters, Washington, D. C., July 10, 1973, 12:00 Noon, EDT.

The Senate has passed a farm bill, and the House is set to take up its version this very afternoon. We'll know a lot more about this in a few hours.

Trade legislation is at a tender stage in its consideration by the powerful House Ways and Means Committee. The Administration has set forth its proposals. So have spokesmen for nearly every conceivable point of view on our nation's trading posture. There is reason for concern. Strong protectionist forces are at work--forces which, if successful, could lead American agriculture and the entire Nation down the road to economic disaster.

Phase IV is just around the corner. We are nearly four weeks into "Phase III-1/2," as it is being called. More than anything else, this 60-day interim action has proven that arbitrary price ceilings on food and farm products are counter-productive, disruptive, and demand one new drug after another to cope with the problems which result. We are in a tough battle right now to prevent Phase IV from leading this nation into serious food shortages.

In short, we still have our toughest work cut out for us. When I saluted you last year, I said: "...the greatest tribute to you is this: You never shy away from the tough fights..." We shall soon see, I trust, that my confidence in you was properly placed.

If we are going to win this fight, we ought to be clear on the things we have going for us, the direction we are headed, and the obstacles which are before us.

USDA 2096-73

You recall what happened. Just as broilers were getting profitable, broiler prices hit that ceiling. They could not rise above it. That sapped the long run profitability right out of the broiler business. Broiler producers were left with prospects of sustained losses, with no financial relief, when prices fell.

As a consequence, breeding flocks were liquidated. Broiler numbers dropped way down. When the price ceiling was removed, the combination of overliquidation and continuing strong consumer demand pushed broiler prices during the first five months of 1973 to their highest level in 20 years.

We should have learned something from that experience. The very action forced by housewives to get cheap food ultimately produced the highest prices in 20 years. Yet, here we are with price ceilings again, and Phase IV could yield more of the same.

We must cease this turning away from the marketplace in the food business and in farming. We should have attained greater wisdom after 40 years of withdrawal and clutching the security blanket of Government. For 40 years, we have practiced restrictive agriculture, with Government subverting the strength and guidance of the marketplace. It is time that we get agriculture out of kneepants and let it grow.

If people understood the economics of agriculture better, it would be easier to enact sounder farm legislation. That lack of understanding sustains the powerful protectionist forces at work on the trade bill, and it threatens our Nation's economic policy like a dark, rumbling thundercloud.

Let us not fool ourselves. We have been moving steadily away from the market and toward Government controls. I saw something in Russia last year which was encouraging----the Russians moving toward the incentive system. When I returned home, I saw something which was discouraging -- America moving away from the incentive system.

Such a move on our part is evidence of mistaken economic judgment. We'd better wake up. We are now suffering a sizeable trade deficit----growing steadily, despite an increasing positive balance of agricultural trade. This country used to be a good place to buy. It isn't such a good place any more----except in agriculture. This is still the best place to buy farm products. Why? Because we have not yet learned to goldbrick on the job in farming. We haven't succumbed yet.

Some say that we are in for controls permanently. I, for one, am not yet ready to throw in the towel. There just is no suitable replacement for the incentive system. To say, by decree, "Give me something cheaper!" is economic stupidity. The result, proven so clearly in the broiler debacle, is curtailed output and higher prices.

I still believe that our people can grasp the sound truths of economics. It will take work. You who lead the farm broadcast industry helped to give America a new respect for agriculture. Now it is up to you to ply your talents to help raise the level of economic understanding of our people.

Only then will we achieve real progress in making American agriculture truly market-oriented, solidly expanding, served by voluntary government programs, with farmer leverage in the marketplace.

We had no real choice in the matter. Given the price ceilings imposed on retail foods; given the extremely tight supply of high protein feeds; given the unprecedented worldwide demand for these protein supplies; and given the responsibility we face to consumers to have meat and milk and eggs to put on the table----export controls were necessary until the new crop comes in to prevent exhaustion of our protein feed supplies and a potential food shortage.

It was, very bluntly, a drastic move to hold our livestock breeding herds together. The measure was a public pill, popped into the mouth of the economy to avert a potentially fatal reaction to another public potion of price ceilings. Those ceilings were forced onto the inflated economy to keep it on the wagon while still another remedy is prepared which, hopefully, will cure the sick patient once and for all.

These export controls are temporary only. They will be lifted. They are a short-run aberration. We must not project them into the long run.

Our production goals, now and in the future, are geared to a growing farm export market. Our long-term policy is still to expand farm exports.

We have greatly increased farm exports, and they are currently running well above any previous year. We are increasing production to match the growing export and domestic demand. We will increase production even more next year. In fact, we will go all out in 1974.

We need to produce enough to meet domestic demand, and further build on our record level of exports. We intend to do just that. To do so, we must reassure all parties involved that our policies of market development, agricultural expansion, export growth, and dependability are unchanged by the temporary, highly unusual export controls which are in operation today.

Our greatest obstacle is the low level of economic literacy of our people.

Like it or not, the Federal Government is now very heavily involved in economic matters. We are involved with regulations that none of us wants to be involved in.

Take the latest price controls, for example. How did they happen? The Administration was pressured into invoking ceilings on food prices because of the prospects of even more drastic measures in response to public demand.

Members of Congress, stimulated by their acute urge for survival, were responding to the people--and the people were demanding price controls. Even though such controls are clearly counter-productive in the long run, public clamor for them became overwhelming.

The consuming public, in the best American tradition, acted out of noble intentions to work its will. But, because our people--and too many of our opinion leaders--suffer from lack of clear economic understanding, they have instead drawn a frightening blueprint for scarcity.

One serious mistake usually improves one's literacy. Yet, we apparently learned little from the grave mistake made in 1972 when ceilings were placed on broiler prices.

To begin with, America has a new respect for agriculture.

Food has become headline news, important enough for cover treatment by our major magazines. Farmers have become front page copy, material for primetime specials, and feature subjects for the evening network news.

When the Secretary of Agriculture crowds something else off the front page of the Washington Post or the New York Times, it is not because the editors want to focus on an outspoken Indiana farm boy. Rather, it is because what he has to talk about----American agriculture----has a new and greater respect across this land of ours.

For the first time in years, food is not taken for granted. Nor are farmers. You who broadcast farm news have been listened to more intently the past several months than ever before. You have brought the facts to light, and you have cautiously and responsibly explained those facts to your broadcast audiences. In so doing, you have contributed mightily to this new respect which agriculture has achieved. That is perhaps the most encouraging thing we have going for us.

Farm exports remain of critical importance to the Nation's economic health and to prospects for lasting World Peace.

Substantial farm exports are good for our farmers. They enable our farmers to produce----which they do better than farmers any place else. They enhance the economic vitality of the country. They are a crucial factor in our international balance of payments and certainly strengthen our economic standing around the World.

Both of our major political parties have made commitments to raising levels of living around the world. The United States has an excellent record in providing farm products. We are dependable. We can produce quantity. We can provide quality. We must continue to build on that record.

Very bluntly, food has been a valuable negotiating tool. It is part of our peace offensive. Just 15 months ago, I met in Russia with Soviet General Secretary Brezhnev. We talked about trade in food and feed grains. That meeting set in place some of the foundation for the bridges of peace which have been built since that time. (I should add, parenthetically, that, had I only taken Chuck Connors with me to Moscow, we surely would have made even swifter progress!) Just a few days ago, while Mr. Brezhnev was here, I signed for this country an important agreement on agriculture, our latest example of progress.

During that 15-month period, we have greatly strengthened the prospects for World Peace. We have ended a terrible war. We have brought our prisoners home. We have eased tensions in the Near East. We have reached detente with the Russians themselves. We have signed a significant SALT agreement. We are moving toward still further restrictions on nuclear arms. We have achieved rapprochement with the People's Republic of China.

While we cannot assert for a moment that our overwhelming superiority in food production has been the critical element in each of these achievements, it has been----and is----a prime factor indeed.

Emergency, short-term embargoes must not cloud our long-term commitment to expanding farm exports.

We are saddled today with export controls on soybeans, cottonseed, and their protein products----as well as on 41 additional categories of high protein agricultural products.

PLAYING FOR KEEPS--ON THE PEACE TEAM

Never before has agricultural trade been so essential to the health of our farm economy. Never before has it been so consistent with the desires of our consumers. Never before has it been so important to the economy. Never before has it been so badly needed in terms of our balance of payments and worldwide stability of the dollar. Never before has it been so crucial to the construction of meaningful World Peace.

Likewise, never before have our Agricultural Attaches been so vitally important to the Nation. Your role is changing abruptly. A great deal rides upon how well you can adjust to the challenge of the growing importance of agricultural trade.

We are in the farm export business for keeps. We are dead serious about this commitment for agriculture and for the Nation. This is the general philosophy we have set forth. It is the policy under which we have been operating. It is the premise under which we shall plan for the future.

Our commitment to farm exports is wise and it is necessary. The reasons become more and more clear each day.

Farm exports benefit farmers. The more we export, the more our farmers can produce. Since we have the farm capacity to produce far in excess of domestic demand, exports are the only possible way to fully utilize our farm resources.

In a society in which consumers will not stand for high food prices, farm income can improve only with increasing volume and added efficiency.

Address by Secretary of Agriculture Earl L. Butz at the Worldwide Agricultural Attache Conference, Jefferson Auditorium, U.S.D.A., Washington, D. C., July 24, 1973, 9:00 A.M., E.D.T.

Farmers are happier and do a better job when they are producing. Their productivity climbs, their efficiency increases, and their income can improve accordingly. Let's face it, farmers deserve a decent living, and they must have a decent living or they will not continue to farm. Larger markets, through exports, will make that decent living possible in the years ahead.

Farm exports benefit consumers. This economic fact is not clearly understood. In fact, it is widely misunderstood.

The consumer's first concern is an adequate supply of good food. This is the concern of every American, and certainly of the President and this Secretary of Agriculture.

There is only one effective way to get the food consumers want. That is for farmers to be able to make money producing food. That is the way it ought to be--and that indeed is the way it is.

There are two ways for farmers to make a profit. The first is to plan low production (which yields low efficiency). Then high prices are necessary to cover farmers' per unit costs and to provide some profit. Since neither low production (which may mean scarcity) nor high prices are acceptable to consumers, this alternative is not really a viable one.

Over the past 40 years, Government has tried to make this alternative work by creating artificial scarcity through costly schemes to hold land out of production and by compensating farmers on the side so they can afford to live with low volumes and moderate prices. It has not proven very satisfactory. It has caused surpluses, which have been burdensome and which people detest. It has plainly cost the Government a lot of tax money. No one really likes that.

The second way for farmers to make a profit is to produce at their optimum efficiency--which for this nation is at a high level of production. That increases farmers' total sales volume. It also reduces their cost per unit produced. Thus, farmers can still cover their costs and make an acceptable profit with a moderate level of prices. Therefore, consumers have available the food production they desire at prices which are not objectionable.

Obviously, this is the preferred alternative. Its success hinges upon a large volume--or producing at near capacity. Since we cannot consume that much farm production domestically, substantial exports are necessary. Thus, farm exports are in the best interests of consumers.

Farm exports are vital to the economy. Increased farm production, and the movement of that production through processing and the channels of trade, creates jobs throughout most of the economy. The benefits of such economic stimulation are evident.

Farm exports contribute substantially to our balance of payments and the international stability of our currency. Since we import many items--such as electronic equipment, some food items, and sizeable energy supplies to name only a few--we must export to keep our trade in balance. Otherwise, our currency loses value throughout the world, and our economy falters at home.

Our exceptionally favorable balance of agricultural trade has contributed mightily to keeping our overall trade deficit no larger than it is. Consider these facts. For Fiscal 1973, we will have a positive balance of agricultural trade of about \$5.4 billion. Our total trade deficit as a nation will be between \$3 billion and \$3.5 billion for Fiscal 1973. In other words, without our very favorable trade balance in agriculture, the country's overall trade deficit would have been three times as large as it is.

Continued sizeable farm exports will strengthen the dollar in the international money markets and enable this nation to continue to import those items which we want and which are vital to our well being.

Farm exports are critical to World Peace. Prosperity is mounting around the world. People everywhere want to live better. The first step is to eat better. Eating better usually means shifting to higher protein diets. That usually means increasing consumption of meat, poultry, and dairy foods.

It takes grain and protein feeds to produce animal products in quantity. No other nation can produce that feed like we can. The productivity and efficiency of our farmers place us in a very superior position of economic advantage in feed production.

What does that have to do with peace? Peace is achieved through strengthening bonds with our allies and easing tensions with our adversaries. Trade in farm products is an important means of achieving both.

Japan and several European Community nations, for instance, have been long-time purchasers of our feed grains and soybeans especially. Large-scale trade in those commodities cements relationships with these important allies and thus complements our mutual efforts to work for a more peaceful world.

In the case of the Soviet Union and the People's Republic of China, substantial purchases of feed and feed grains were vital to meeting the expanding food needs of their people--especially in light of severe crop shortfalls last year. Our ability to export wheat, soybeans, and feed grains has paved the way for solid, historic progress toward detente with Moscow and toward rapprochement with Peking.

Make no mistake about it, our unexcelled farm productivity helped to end the Vietnam war. Farm exports are indeed critical building stones in the construction of lasting World Peace.

This farm export explosion is no fluke. It is not political verbiage. It is not wishful thinking. It is hard, conclusive, long-term economic reality.

Exports are an important part of our planning for legislation, farm programs, and the overall thrust of the Department. For instance, the production increases which we anticipate in 1973--and which appear even more probable now after the July 1 Crop Report--did not just happen. We planned them for exports.

When we announced our 1973 Commodity program plans--which sought increased production to meet export demand--we were roundly criticized. The farm press was full of blistering comments from certain farm organization and commodity group leaders who charged that the Department was purposely threatening to drive down farm prices by creating substantial surpluses.

We did expose ourselves--with no wheat set-aside and no cotton set-aside, by changing the corn program so there was practically no set-aside, and by increasing tobacco allotments.

Yet, we were right. If anything, it now appears that we were conservative in our estimates. Rapidly increasing demand has resulted in prospective carry-out stocks of wheat, feed grains, and soybeans which will be on the low side of safe for 1973. Indeed, it is hard for me to see any chance of having any burdensome surpluses at carry-out time in 1974 or 1975.

Some people, with the benefit of 20-20 hindsight, now are critical that production was not expanded more. In retrospect, we did not anticipate, totally, the scope of the gigantic export demand which we have experienced the past year. It was impossible to anticipate the tremendous impact of that increased demand, coming as it did on top of the great increase in demand for food here at home.

We did anticipate improvement in the level of living of peoples around the world. Yet, no one could foresee the growing opulence of so many countries and peoples or that their improved condition would suddenly find expression in an explosive desire for better eating.

We could not anticipate reaching such a degree of accord with the Socialists. Nor could we anticipate the volume of their trade. We could not anticipate the vagaries of the weather. We could not foresee international shortages of important protein sources--such as Peruvian fishmeal.

Looking ahead, a large portion of this exploding export market represents a phenomenon growing out of these facts: People in the Socialist countries want to live better, and they want to eat better. That message is getting through in the Kremlin. It is also getting through in Peking.

It was, in fact, quite an historic occasion to see Soviet General Secretary Leonid I. Brezhnev sitting down in this city with the heads of this Nation's leading business corporations. He was talking trade--bluntly and persuasively and without pretense. He said himself that, if he had done that just a few years ago, his position would have been in jeopardy. Yet, in 1973, his actions carried the Soviet Politburo's blessing--in fact, it was their message he carried.

It is the same message which is being sounded worldwide. It is certainly the same message which is coming through in this country. Call it consumerism or whatever you like. It is here and it is real--and it spells expanding exports for American agriculture.

Many people have been understandably apprehensive because of the export controls placed on soybean, cottonseed, and other high protein products during the 60-day price freeze which has preceded Phase IV.

Let us clear up any misunderstanding on that matter. It was temporary. It will be lifted when the new crop begins to come in during September. As crop conditions appear now, there will be absolutely no reason to impose import controls on the 1973 crop.

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This temporary snag which we are currently suffering is not because of any decrease in goods for export. Quite the contrary, we have increased production purposely to make possible increased exports. For instance, in 1972 we increased soybean production by 80 million bushels--and it all went into exports. The domestic utilization of beans and meal has been almost constant; our production increase went into export. Other commodities experienced similar situations.

It is indeed unfortunate that it became necessary to impose these export controls. They certainly cloud the perspective, and they may have temporarily had a counterproductive effect on our efforts to increase supplies.

We must not allow these temporary controls to create uncertainty about our ability to produce. Without question, we have the capacity.

First of all, we have that great, fertile breadbasket out in our Midwest--with the climate, the knowhow, the capitalization, and the farm management skill to go with it. Most of it is under cultivation this year. For the first time in several years, we actually have few additional acres to put back into production.

We do have more available technology. It will be applied. Further research is going on at a rapid pace. It will continue. Recent temporary food shortages have helped convince the general public that we cannot discourage or reduce our efforts at production research.

This is not the forum for detailed discussion of how we can increase yields in corn and soybeans, for instance. However, those yields can and will be increased. We have the capability. We have the desire. We have the need. Officially, it is our policy to do so. This Nation is committed to and shall succeed in producing for a substantially growing export market.

What is the role of the Agricultural Attache in this new environment of expanding agricultural trade?

The role of the Agricultural Attache has always been an important one. You have performed valuable service. I am convinced that we could not now hold our present position of agricultural superiority without your input. Yet, your function will hold even greater significance ahead.

Until now, your role as perceived by many has been more narrow than it should be. Even though we have looked to you to report back on crop conditions, and to serve many other valuable functions, we have too often viewed the Attache as one charged with market development to dispose of our surpluses.

We must change that emphasis. We are no longer in a world food surplus situation, and we will not be.

The nations of the world, as seen by our Attaches, will be no longer a place to sell--or barter away or dump--our surpluses. Today, the world market is an integrated part of our total food production process. It will be that way on a permanent basis. We indeed want to build it that way.

Attaches, henceforth, must be concerned with how each respective nation can supplement its own food supply with what we can produce to increase that nation's overall efficiency in feeding its people.

For instance, if a country is one in which grain production is a high-cost item, then some wisdom must be applied to determine whether that nation should specialize in roughage production and buy its grain from the United States or elsewhere. Attaches will need to provide a great deal of such guidance--including specific education on nutrition and ways of making their food supply reach as far as possible.

In short, it will be your role to assist the nation to which you are assigned to find ways to take advantage of America's agricultural largess in order to raise the level of eating--and thus the level of living--of that nation's people.

Previously, many nations have not been concerned over seasonal supplies or surpluses. Until now, those seasonal supplies and surpluses have largely been stored in this country. Since we are no longer a surplus-bearing nation, this situation will be different.

In the past, if certain nations did not have sufficient production to keep their mills or their crushers operating full time, they could buy almost unlimited quantities of product from the United States at nearly any time. We were the residual supplier. This is no longer necessarily the case.

Each importing nation must now assume the functions of forward buying, of planning ahead, of storage, and of transportation, to name just a few. Our Attaches can assist with each of these matters and, increasingly, this will be a major thrust of the Attache's responsibilities.

These changes are substantial. In fact, as a broad generalization, they represent nearly a complete turnaround. When we were a surplus-producing nation in a generally sub-affluent world, most of the responsibilities in trade were on our shoulders. We urgently needed to sell or dispose of what we had. The Attache's job was to find a way to do so--and to arrange for or provide as many of the related marketing functions as necessary.

As the world's affluence rises, and as we look forward seriously to producing for a sizeable market based on growing international demand, many of these functions become more the responsibility of the purchaser than the responsibility of the seller. The balance has definitely shifted. Thus, there will be a major change in the Attache's charge.

Instead of finding a way for our excess production to fit into the world, your charge now will be to serve your respective nations by finding ways in which our products can fit regularly into their growing needs through sound commercial transactions. Of course you will continue, as you have traditionally done so well, to reflect back to us the specific needs of the world so that we can produce for those needs.

The job of the Attache will become increasingly sophisticated as we plan ahead for increasing exports and as you assist every nation around the world in planning with us.

We must ponder carefully, on a worldwide basis, efficient utilization of our resources and the production which results. How can we make our food supply go round? Your input in answering that question will be vitally important.

I am determined, as is the Department and as is this Administration, that American agriculture shall succeed in perhaps its most significant undertaking in history. Our farmers are counting on expanding exports. Our consumers will be better served as those exports expand. Our economy will be stronger as a result. The world will enjoy greater peace as a consequence.

Farm exports are here to stay--and you are in a very key spot to facilitate them. Producing will be our job here at home--and we are going to do our darnedest. Yet, you will often, in fact, make possible the trade which is going to be so vital to maintaining peace in the world.

We all share this great task together. We are an essential team. This is the Peace Team--and we are playing for keeps.

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THE NEW FEDERALISM--COUNTY GOVERNMENT IS WHERE IT'S AT

The New Federalism is alive and well and ripe for public acceptance in America. Furthermore, no single group of public servants is more strategically placed to make the New Federalism work than those of you who man the mechanisms of county government.

County government is government where people can get at it. You are people oriented. Thus, you are a key link in the New Federalism which seeks to move government decision-making as close to the people as possible.

The Department of Agriculture has much in common with county government. More than any other Federal department, we are county oriented. We go about our job by counties. We are structured on a county basis. We plan by counties. We think in terms of counties. We assemble data with county breakdowns. We talk in terms of counties--and we use county delineations to get our bearings and to maintain our perspective.

Let me cite two of our most concrete examples. (1) Our Cooperative Extension Service, which is world famous for its successful efforts to get knowledge and expertise out to people who can use it, has long built upon a strong county structure. This is testified to by the term "county agent." (2) Our Agricultural Stabilization and Conservation Service (ASCS), which is the agency charged with administration of farm programs, relies heavily on the county system.

Address by Secretary of Agriculture Earl L. Butz before the Annual Meeting of the National Association of Counties, Dallas, Texas, July 25, 1973, 8:00 PM, CDT.

We know that the counties are where the people are. That's where people work and where they live. In the case of the Department of Agriculture, we believe that the effectiveness of our operation out in the counties is the true measure of our worth. To use the latest jargon: the counties are where it's at.

You understand that bit of wisdom, too. Our task, then, is to promote the New Federalism concept so that we can move the power of the government closer to the people being served.

Phase IV is a step in the direction of returning power to the people.

Last week, Phase IV Economic Policy was announced. It was not greeted with jubilation in all quarters. Nearly everybody found something in it that was not totally acceptable. Yet, it was an historic move in the direction necessary if we are to get this economy back on the beam.

The biggest single reason for high food prices was skyrocketing demand. But price ceilings did nothing to reduce demand, and they most certainly did not increase supply. Indeed, they induced liquidation of breeding herds and flocks, and severely threatened our supply of food later this year and next year.

Ceilings and controls merely shift economic pressures from one product to another product. They discourage production. That is called distortion, and economic distortion inevitably delays the adjustment needed to straighten things out. Invariably, this is what happens when the body politic decides that the government is more capable of managing an enterprise economy than is the market.

From the start, I was less than enthusiastic about the imposition of price ceilings--I could not hide my distaste for such controls if I wanted to. I have hammered away at the mistaken economic reasoning on the part of those in our society who were demanding such controls.

Let's be perfectly frank about the pressure back of that action. The public and political pressure was intense to "do something." The action was taken, at least in large part, in response to severe political pressure from the Congress. The majority party caucus in the Senate had unanimously passed a resolution mandating a 90-day price freeze across-the-board. The minority was about to do the same thing, and the House of Representatives was making strong noises along the same line.

Lacking in fondness as I was for the action taken, I am first to admit that, problematic as that action was, it was potentially less destructive to our economic system and disruptive to society than the program of mandatory controls which the Congress appeared set to impose.

In retrospect, we learned that you cannot get more by paying less. We learned that there is some merit in the self-regulating discipline of the traditional American market system. We learned that government regulations formulated in an economic vacuum are self-defeating.

Phase IV moves us away from Government playing God in the economy. It recognizes that there is no amount of wisdom in Washington sufficient to regulate the economy as the recent price ceilings attempted to do.

Phase IV moves us away from controls in a gradual manner so as to spread out the bubble of accumulated pressures. It wisely moves us back toward the traditional American pattern of incentives and enterprise. It returns power to the people in the realm of the domestic economy.

The New Federalism has already made progress in moving responsibility back to local levels of government.

President Nixon had the courage to recommend Revenue Sharing. He has not only talked about it--it is becoming an accomplished fact. Much of the proposed Revenue Sharing program is in place. This Administration has had the courage to decentralize government--to make recommendations to the Congress to move back to the States and counties and other units of local government certain responsibilities that for years tended to move to Washington.

The New Federalism is more than rhetoric. It is action.

Rural Development is a prime example of the New Federalism in operation.

The Rural Development Act of 1972 authorized the Department of Agriculture to beef up and accent efforts to improve opportunities for people who live in rural America. Rural Development, by that name or by some other handle, has been talked about--and even experimented with--for many years. A great deal of effective Rural Development has in fact been accomplished. There is certainly nothing new about the idea.

Our recent efforts in Rural Development began with an important premise. Rural Development cannot, and therefore will not, be accomplished from Washington. It must be accomplished in a decentralized fashion by the people who live and work in rural communities, the people for whom Rural Development is a real objective, the people who really understand the local situation, the people who have something at stake in it, and the people who will ultimately benefit from any progress which might be made in Rural Development.

Because many of you are ultimately the leaders whose efforts will determine whether Rural Development succeeds or fails, let me very briefly set forth the thrust of what Rural Development is all about.

The well-being of farmers and that of other rural Americans are interdependent. More than an adequate farm income is involved in solving rural problems. Rural job development is especially necessary so that millions of rural youth will no longer have to travel the urbanward road in search of work.

Furthermore, many people seek a more bountiful serving of the quality ingredients of life--ingredients which are often found only in rural areas.

It is important, therefore, for rural people to plan and guide Rural Development so rural people can shape their own destiny. Otherwise, the problems of development-by-default will overshadow the benefits of development.

We are making progress. To be sure, that progress is slow. Yet, it is solid progress because we are not developing rural America. We are instead assisting those of you who have a stake in rural America to accomplish this task yourselves.

The New Federalism will succeed only if local people are prepared to assume the responsibilities that they once exercised.

In the last 20 years, we have grown accustomed to the flow of power to Washington. We have gotten used to sending our money to Washington to be spent for us through nationally-stereotyped programs. We have nearly forgotten how to fend for ourselves.

Local people must not be afraid to say "NO!" to unwise expenditures, even though they may be in the form of your own money coming back from the Federal Government. Local people must step forward, take initiative, and assume responsibility. You must stand the heat locally. We can no longer pass the buck to Uncle Whiskers like we have done in the past. We must make this New Federalism work now or local government may well be doomed.

We are most certainly attempting in Washington to hold the Federal Government in check.

The President just recently announced that Federal expenditures for Fiscal 1973 were under our budget of \$250 billion. In fact, they were under \$249 billion and may even approach only \$248 billion. Incidentally, that total includes the distribution of funds under Revenue Sharing.

The President is determined to keep the Federal Budget under control. Right now, we can actually see the possibility of a balanced budget in Fiscal 1974--even including the increased funding for Revenue Sharing.

There is nothing magic about spending public money. Government is big business. The Nixon Administration's goal--like your goal in the counties--is to get a dollar's worth of government for every dollar we spend. We want efficiency in government--the same efficiency in the public sector that we expect in the private sector of the economy.

We pledge ourselves to that goal at the Federal level. One of the reasons that we so strongly endorse the New Federalism is that we know it is easier to get responsible expenditures and responsive programs at the local level. Programs which you can run yourselves and which you can adapt to local needs are far more efficient than nationally-stereotyped programs run from Washington. The New Federalism indeed fits into the concept of a dollar's worth of government for every dollar spent.

The New Federalism is the American way to run government.

As we push for the New Federalism and increased local responsibility in government, it becomes more nearly possible to achieve President Nixon's admonition that we ask--"not just what will government do for me, but what can I do for myself." We can establish the truth of the President's statement--"Our people are great not so much because of what government did for them, but because of what they have done for themselves."

You are close to the people. You know better than most what they can do for themselves. You don't fall over yourselves like a bunch of professional do-gooders. You are right out there where you can say: Of course this program is good--but is it worth what it costs? Is it a function that can be done better in the public sector or in the private sector? Is it a function that can be done better cooperatively rather than by a benevolent, patronizing Uncle Sam?

The New Federalism is consistent with our traditional concept of the free enterprise economy.

The private sector of the economy is the wellspring of initiative, of innovation, of production, and of well-being. This is not an old-fashioned, obsolete concept. It is as modern as today. It has worked in this country for 197 years. In spite of our efforts to hobble it, in spite of our efforts to cripple it, in spite of the growth of big government, in spite of Federal domination--our free enterprise economy still works.

Here is a perfect illustration. It is no accident that the Socialist nations of the world have become sizeable purchasers of United States farm products. It is no accident that they came to the world's leading capitalist nation to buy.

It is no accident that the agricultural largess which makes such trade possible occurs in the American economy which is still most nearly free enterprise oriented, privately-owned, privately-run, and privately-motivated. It happened because American agriculture is still run by people expecting to make a little profit from their labor and their enterprise. It happened because in America we still believe that the market makes the best economic decisions.

We have just learned a vital lesson--that centralized decision-making on economic matters does not work very well. Let us now join hands, before it is too late, to prove that decentralized decision-making--as set forth by the New Federalism--is also the best way for our people to be governed.

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PHASE IV--THEN PHASE-OUT

Just over two weeks ago, a top Cost of Living Council executive described Phase IV as "this last of the Economic Stabilization Program's phases" He then added, " ... and when I say last, I mean last. Phase V will be Phase-Out and a return to a free competitive market."

Phase IV marks an important turn toward gradually working our way out of controls altogether--an historic, necessary move if we are to get this economy back on the beam. In short, Phase IV comes to grips with economic reality.

We already have gone through several phases of the Economic Stabilization Program. Each phase has tried our patience, and Phase IV will require even more. Yet, patience is more easily sustained and much less painful when hopeful prospects lie ahead.

Phase IV offers that hope. Phase IV moves away from the Government playing God in the economy. Phase IV moves to return economic power and decision-making to the people.

Lest we forget, the Economic Stabilization Program was originated to treat the insanity of an inflation psychology.

Inflation had already reached critical proportions back in 1971 when President Nixon first imposed a temporary wage-price freeze and when the Congress granted the President the authority necessary to take far-reaching action to rescue the economy.

Business, labor, industry, and agriculture were all caught in a vicious upward spiral of product prices and costs of doing business. Below the surface was disturbing evidence that our economic structure was top-heavy with subsidies, handouts, protective arrangements, and taxes.

Address by the Honorable Earl L. Butz before the Economic Society of Southern Florida, Tiger Bay Political Club, Miami, Florida, August 8, 1973, 12:00 N., EDT.

Excessive spending and fiscal irresponsibility, the inevitable companions of an inflation psychology, were running rampant.

We had slipped from our position of world superiority in productivity. We had lost much of our edge over foreign competitors in manufacturing efficiency and technology. That led to a serious decline in exports and our first trade deficit predicament of this entire century.

The American economy had not become sick overnight. For a quarter of a century, this inflation psychology had induced an inbreeding of self-serving, protective philosophies in this country. We became preoccupied with winning security and guaranteed income levels. We called on the Government to solve more and more problems. We slid a long way down the road of socializing our income. We moved perilously close to destroying incentive in America.

In short, the economy was on the verge of distress. No easy panacea would suffice to lift the fever. Strong, shock-treatment measures were necessary.

The Economic Stabilization Program relieved some symptoms, but it did not cure the patient--so we changed the dosage and the economy eventually suffered a violent reaction.

Phase I was greeted with surprise and skepticism. Few expected President Nixon to take such strong action. Phase II seemed to work fairly well. Inflation was in fact slowed, and the inflation-weary economy rallied.

When Phase III--which eased control measures--came forth early this year, the reaction began. Inflation eventually neared an unprecedented fever pitch.

As the fever raged, the Nation acted in what approached a state of economic delirium. In early spring as a result of public disgust, a dangerous price rollback measure mounted quite a head of steam in the House of Representatives. Reason prevailed, however, and price rollbacks were averted. In the Senate, a 6-month price freeze was proposed and only narrowly rejected.

Public opinion polls showed that a majority of Americans--including many businessmen--favored stronger wage and price controls, even considering the distortions which were sure to follow. That opinion was reflected in the Congress where in early June the Senate Democratic Caucus voted unanimously to impose a 90-day freeze across the board.

Public and political pressure was intense to "do something." On June 13, President Nixon announced a 60-day price ceiling to dramatically arrest price increases and to provide shock therapy to the inflationary psychology which had again swept the country.

While the price ceiling did provide some time for building Phase IV on the lessons of Phase II and Phase III, it also caused some severe problems. Shutdowns, slowdowns, and shortages resulted. The ceilings were particularly counter-productive in agriculture where the slaughter of pregnant sows increased sharply and where some poultry breeding flocks were liquidated--signaling sizeable cutbacks in pork, poultry, and egg production for the months ahead.

Phase IV was announced in 30 days rather than 60 after the price ceilings taught us several important lessons. We learned the hard way that you cannot get more by paying less. We learned the hard way that there is merit in the self-regulating discipline of the traditional American market system. We learned the hard way that no amount of wisdom in Washington is sufficient to regulate the economy as the recent price ceilings attempted to do.

Phase IV is a gradual and selective lifting of controls designed to maintain some price restraints and still achieve badly needed production.

It is a tough way to dismount the tiger of price controls. We began with rigid controls, and we are progressively freeing up sectors of the economy.

With the exception of beef which is currently embroiled in controversy, the food sector is being freed. Raw agricultural product cost increases (except for beef) can now be passed through to the consumer on a dollar for dollar basis. It was absolutely necessary to allow food prices to increase in order to stop liquidation of breeding animals and to stimulate production. Moderate price increases now are the only way to prevent severe shortages at the supermarket later on.

The same need for increasing supplies was recognized in the petroleum sector where adjustable price ceilings are being placed on domestic crude oil and on retail gasoline, heating oil, and diesel fuel. New crude oil production has been exempted from these ceilings.

The health sector of the economy also was brought under Phase IV rules immediately.

All other sectors of the economy remain under the June 13 price ceilings until August 12 at which time pass-through of cost increases will be permitted. It has been announced that beef price ceilings will be terminated on September 12. On that date also, the food sector will be allowed to pass through not only agricultural cost increases but all cost increases.

This tough, gradual implementation of Phase IV attempts to spread out the intense price pressures which had built up during the price ceilings. The selective nature of Phase IV treats problems in different sectors of the economy separately and is designed to be consistent with the unique characteristics and structural problems of each sector. In fact, Phase IV exempts from controls those sectors which are no longer inflationary, where controls are no longer needed or useful, or where an industry is controlled by other regulatory agencies.

Phase IV includes a flexible exceptions policy, and consultations are continuing with many groups on the implementation and effects of Phase IV. The wage policy under Phase IV is consistent with its price controls and retains the general wage and benefit standards of Phase II and Phase III.

The ultimate goal of Phase IV is to move America back to our traditional pattern of free economic decision-making in the marketplace.

From the announcement of Phase I in 1971, there was absolutely no intention for wage and price controls to become a permanent feature of the economy. Phase IV is designed to kill the tendency for controls to be perpetuated.

Controls will be terminated as soon as that can be done without incurring unacceptable inflation rates. We must preserve incentives for investment and production. Phase IV is, therefore, designed to create conditions in which controls can be terminated without disrupting the economy.

From the beginning, it was the intention of President Nixon to maintain a free economy with decisions made by free people operating in a free economic system, and with adequate safeguards placed around that system to provide protection from the excesses of competition and to prevent monopolistic or illegal pricing practices.

The authority for the Economic Stabilization Program does expire next April 30. While the President has not considered it wise to commit us at this time to a specific date for ending all controls, he was impressed by the unanimous recommendation of the leaders of labor and business who constitute the Labor-Management Advisory Committee that the controls should be terminated by the end of 1973. In the President's own words: "I hope it will be possible to do so, and I will do everything in my power to achieve that goal."

As Phase IV is implemented, the President is making substantial progress in taming the root causes of inflation.

First, President Nixon is determined to balance the Federal Budget. Treasury Secretary George Shultz calls this vital aspect of Phase IV a return to that old-time religion. That fundamental policy is working so far.

The President established the goal of a \$250 billion budget for Fiscal Year 1973 and then disciplined the Federal Government to meet that goal. He was successful. The official Fiscal 1973 expenditures were \$246.6 billion--\$3.4 billion under the target.

That sizeable reduction in expenditures, coupled with an unexpected but welcome increase in Government revenues, reduced the Federal deficit to only \$14.4 billion--more than \$10 billion lower than our most optimistic prediction of \$24.8 billion as late as last January.

Looking ahead, by vigorously holding expenditures in line and by capitalizing on the increased revenue that is coming from the tremendous boom we have been experiencing, we are within view of an actual budget balance in Fiscal 1974. That alone is the best solid news in years for those who are seriously intent upon cooling the fires of inflation.

Second, modest and reasonable settlements have been obtained in the main in current wage negotiations. These responsible wage settlements have helped lay a solid basis for further genuine easing of the forces which fuel inflation.

Third, we are doing everything we can to achieve ample production of goods and services. This is indeed the best antidote of all for inflation--if we have a balanced budget and if reasonable wage settlements continue.

In agriculture, we will harvest this year a tremendous increase in basic production of grains and feedstuffs--the basic ingredients with which we produce our meat and eggs and dairy products. It will be this country's most massive single-year production in history.

For 1974, we have already announced that there will be no acreage set-aside. We have urged farmers to produce fully. That means nearly every harvestable acre will be in production.

The Congress has just passed, and the President will soon sign, a new farm bill which implements a program of target prices. Through these target prices, the Government in effect will share the risk that farmers run if as a nation we overproduce, or if foreign markets should suddenly disappear, or if domestic demand should somehow subside.

Yet, the prospects for foodstuff demand here and abroad are such that we have little hesitation about the risk of going all out next year. To support what we have asked our farmers to do, we have obtained full assurance from Governor John A. Love's Economic Policy Office that adequate fuel will be made available to harvest and dry this year's farm production.

We are doing all we can to help farmers minimize harvest losses this fall and to get a head start on next year's farm production plans. I have asked private farm suppliers, farm cooperatives, farm organizations, commodity groups, and others to join in a nationwide effort to provide supplies, storage, credit, transportation, and other help to farmers in this all-out production effort.

I have further designated our Extension Service to organize a nationwide information campaign to back up these actions.

Farmers can increase food production. They want to produce more, and they will. Yet, we cannot expect increased farm production alone to halt inflation. Food did not get us into our current economic problems--and food alone will not lift us out. Every sector of the economy must put its shoulder to the wheel if our overall productivity is to be increased enough to have lasting impact.

Phase IV returns power to the people in the realm of the domestic economy.

No Government edict can force a free people living in an incentive society to produce. Phase IV is recognition of that economic truth.

Phase IV on the economic front is consistent with the New Federalism on the political front, our efforts throughout the Government to move decision-making as close to the people as possible.

In the last 30 years, we have grown accustomed to the flow of power to Washington. We have gotten used to sending our money to Washington to be spent for us through nationally-stereotyped programs.

One of the reasons that we so strongly endorse the New Federalism is that we know it is easier to get responsible expenditures and responsive programs at the local level. The New Federalism indeed fits into the Nixon Administration's goal of getting a dollar's worth of government for every dollar spent.

The private sector of the economy remains the wellspring of initiative, of innovation, of production, and of well-being. This is not an old-fashioned, obsolete concept. It is as modern as today. It has worked in this country for 197 years. In spite of our efforts to hobble it, in spite of our efforts to cripple it, in spite of the growth of big government, in spite of Federal domination--our free enterprise economy still works.

That is the wisdom behind Phase IV--and why Phase V will be Phase-Out.

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CAN WE DIRECT AN INCENTIVE SOCIETY OUT OF WASHINGTON?

Throughout our history--as a people and as a nation--we have prided ourselves as being a nation of entrepreneurs, a nation of innovators, a nation of precedent-breakers, a nation of get-out-of-the-rutters, a nation of profit-seekers.

Traditionally we sum this up as "free enterprise." Economists refer to ours as a capitalist system. We are incentive-dominated. In short, we are an incentive society.

We can describe the incentive of our society in a single word--profit. Profit moves the economy. Profit is the incentive which motivates man to participate in the economy.

The profit incentive finds various forms of expression. It may take the form of an exchange of labor for a wage, of extractive activity, of production, or of providing services.

The profit incentive may find more sophisticated expression in straight business dealings, or through trading in the market, or in the form of speculation. Each function is vital to the smooth operation and continuous growth of our incentive economy.

The fact that our society is incentive-oriented is exemplified by our great capacity for self-improvement, our drive for advancement, our desire for a higher level of living, our search for excellence, our discontent with the ordinary.

The result is clear. Here we are a mere 6 percent of the world's population--a young nation in a relative sense, a veritable melting pot of people. Yet we use 33 percent of the world's energy, we have 38 percent of the world's television sets, we drive 44 percent of the world's motor vehicles, we use 35 percent of the world's electricity, we consume 26 percent of the world's steel, and we fly 58 percent of all civil air miles flown.

By any broad measure, the United States of America is the envy of the world. But these things did not just happen. It is not by accident that this nation reigns supreme.

We are not unique in having rich land resources. So do Argentina and India.

We are not unique in having minerals. So do China and the nations of Africa.

We are not unique in being nearly self-sufficient in vital natural resources. So is the Soviet Union.

We are not unique in having a temperate climate. So does Australia in another hemisphere. So does France.

We are not unique in having a well established educational system. So does most of Europe.

We are not unique in having over 200,000,000 people. We are exceeded in that measure by three other nations--China, India, and the Soviet Union.

The truly unique feature of our society is our historic and tenacious dependence on the incentive system as the dominating force in our economy. This nation remains strongest, the most competitive, and the most envied in those sectors where that incentive remains most dominant.

Food is a prime example. It is no accident that Socialist countries are now coming to this incentive-dominated system of the United States for massive supplementation of their domestic food supplies. The Socialist nations have available the physical ingredients of our productivity. It is our incentive system which makes the difference.

When foreign agricultural specialists come to this country to visit, they take back with them our hybrids, our fertility techniques, our pest treatment technology, our disease control methods, our tractors, and our combines--in fact every tangible production item.

But they cannot make them work because they do not have our secret--the man out there on the land seeking to make a profit. Nor do they have the system of support industries seeking constantly to better serve farmers and consumers in order to make a profit. That incentive makes the system work.

We have conducted a two-century experiment with an incentive economy. The results have been fantastic. But what of our experience? What have we learned--and what have we forgotten?

Right now our system is being sorely tested. The incentive orientation of our economy is being questioned as never before.

We have temporarily removed incentive from the driver's seat. Consumer pressures--so easily translated into political pressures--have taken the wheel. We have experimented with Government-administered prices. We have just gone through a period of retail price ceilings--and lengthier meat price controls. We have toyed with the idea of price rollbacks.

The results have not been satisfactory. Tight supplies and near-record prices haunt the food industry.

Has our experience taught us a lesson? It should have. Let me cite three instances in which our abdication of the incentive system--and our opting instead for Government management--have been clearly counterproductive.

First, let's consider the case of price ceilings on broilers in 1972.

Because broilers are slaughtered and packaged near the point of production, they are considered processed and were therefore subject to Phase II controls. Broiler prices follow a seasonal pattern. As those prices approached the upward part of the normal cycle, the Phase II ceiling was clamped on. When broiler producers were robbed of the opportunity for anticipated profits, they cut back on production. Some breeder flocks were liquidated. By the time the ceilings eventually were lifted, broiler production had dropped. The supply of broilers slipped while broiler demand remained strong. As a result, broiler prices jumped to the highest level in 20 years.

Broiler price ceilings under Phase II were clearly counterproductive: They reduced supplies when increased supplies were needed--and prices, instead of being held down, ultimately jumped to much higher levels than would otherwise have been the case.

Second, let's consider the pork and poultry retail price ceilings under Phase III-1/2.

Pork, poultry, and egg prices could not increase at the supermarket. Grocers, therefore, could not pay more to processors, nor could processors pay more to producers. Yet, production costs increased--to the point where costs, in some cases, exceeded what products could be sold for. For many pork and poultry producers, there was no incentive to produce. In fact, with even a dull pencil most farmers quickly calculated losses. Thus, there was a clear disincentive to keep producing.

As a consequence, poultry breeding flocks were again liquidated--and the result is fewer broilers and eggs now and in the months immediately ahead. Also, heavy gilts and piggy sows were slaughtered--and the result will be short pork supplies this fall and winter.

Again, retail price ceilings were clearly counterproductive: Price ceilings made it impossible to earn any profit raising hogs and poultry so breeding stock was slaughtered, and we are now suffering the consequences--short supplies and near record prices.

Third, let's consider the extension of price controls on beef beyond the time when all other food price controls were relaxed.

The treatment of beef was noble in purpose. Beef price ceilings were to be retained until September to spread out the release of accumulated price pressures. Cattlemen, however, have figured that prices will ultimately increase when controls come off. So feeders are holding cattle from market. The extension of controls has cut beef supplies by about 30 percent.

Furthermore, because beef is scarce, demand for poultry and pork has multiplied. This demand, coupled with pressure released when pork and poultry controls were lifted, pushed prices even higher.

Extending beef controls has turned out to be doubly counterproductive: Beef supplies are dwindling, and other meat and protein food prices are higher than they would otherwise be.

In all three cases, under this experiment with controlled prices, we have bid for less--and then we wonder why farmers won't respond by producing more. That just isn't how an incentive system works.

It seems clear that we cannot successfully run an incentive economy from Washington. Phase IV is evidence of this realization. Even with its problems and imperfections, Phase IV is a move away from Government playing God in the economy and a move back toward an incentive orientation.

We are now at a critical point. We waited dangerously long before we made the turn. Our economy is plagued with distortions which we cannot easily escape. There are rough, rocky roads ahead. Tough, perhaps unpopular, decisions face the Nation.

While there are no simple answers from this point on, the lessons we have learned so painfully in recent weeks can be effective guidelines.

Price ceilings destroy incentive.

Incentive is reflected in prices. Prices foretell the profit a producer can expect to earn by his production--or what he stands to lose. The more he can earn, the greater his incentive to produce. The more it appears he may lose, the greater his disincentive to produce.

There is no question that Government can have impact on an incentive economy. The question is: Can we cope with the consequences?

Government programs for years have functioned as positive incentives. When Government wanted more of something, it set high supported or subsidized prices. Those subsidies were incentives. Increased production usually followed.

Subsidies produce distortions--but the distortions are generally deemed desirable ones. Even when those distortions become problematic, there is a solution--admittedly with a cost. For instance, when too much production results, we either store it (at a cost), or give it away (at a cost), or destroy it (at a cost). In other words, distortion that results in excess production is distortion we can buy our way out of, provided we are willing to stand the cost.

Government price ceilings--as we experienced last year in broilers, as were imposed on all meats from March through July, and as remain on beef today--also have impact on an incentive economy. Price ceilings, however, are a disincentive to produce. They cut profit potential, and in some cases clearly ensure losses. Farmers see less opportunity to earn a profit--or greater danger of suffering loss. Production drops. While prices are effectively held down, reduced supplies make price ceilings counterproductive.

Price ceilings, unlike price subsidies, are one form of Government manipulation which we cannot buy our way out of. There is no possible way to resurrect the pork chops which are destroyed when a pregnant sow is slaughtered because price controls signal the farmer that he would lose money by keeping that sow and feeding her litter. Those pork chops just do not exist.

No amount of Government money can buy a pork chop which isn't there. No miracle of Government action can provide consumers meat that was not produced.

If the lesson that price ceilings kill incentive is not clear, then sample the despair at a supermarket which has experienced a shortage of beef cuts. Look at the shoppers' long faces. The meat department has the grimness of a morgue. Watch shoppers pick up a piece of meat they don't really want--and then scowl. Then watch a shopper desperately poking around under the chicken fryers--just hoping to find a nice beef roast hiding there. It's like a child hunting for eggs on Easter morning--only, in the meat business, there is no Easter Bunny. Only the incentive of profit will put beef on that counter.

We must not attempt to insulate consumers from the forces of the world market.

That is precisely what the Economic Stabilization Program, and food price ceilings especially, attempted to do. Inflation--not food prices--was the problem. We needed a cure for inflation. Yet, as a people we lacked the courage to do what was necessary to stem inflation. So we took out after the symptoms.

In short, we tested the possibilities of insulating Americans from the trend of rising world prices. We adjusted prices and wages through a series of economic phases. We established a Cost of Living Council, not with the mandate to halt inflation but with the primary charge of worrying about the domestic cost of living. It was separated from other problems like the balance of trade and the health of the economy in general.

This attempt to insulate the American consumer distorted the supply and price situation. It had further repercussions as well. When our domestic prices were administered apart from the world market, we priced our items lower domestically than they were on the world market which has been spurred on by increasing demand and inflation. Thus, our products are priced lower than they should be, and the-world market is siphoning our "cheap" products away to the point where we could have severe shortages.

If we should attempt to maintain this isolation of our consumers, we can only do so by cutting our exports, which will worsen our balance of trade, further devalue the dollar, and continue to weaken our already control-weary economy.

We must not veer from the road back to a market orientation, and we must expect our consumers to compete. Our consumers must bid for farm products along with other buyers around the world. That may mean paying prices higher than we would like--particularly during periods of tight supply or increasing demand.

We cannot afford to limit farm exports.

We cannot afford the luxury of running away from membership in the trading world. We must be part of the world economy because the United States cannot maintain its current standard of living without massive imports of fuels, raw materials, bananas, coffee, shoes, automobiles, TV sets, and other low-cost consumer items. Furthermore, we cannot import these items if we do not export. This Nation would go bankrupt.

Some of the recent upsurge in international demand for American goods stems from an accumulation of dollars which we have let flow out of the country during years when our imports exceeded exports. As that happened, the dollar's value dropped. Foreign dollar-holders therefore want to get rid of them.

That situation is part of the root of our inflation, and we must recognize it. Some would-be economists have been highly critical of our very successful efforts to increase farm exports. In fact, however, agriculture is one of the few remaining sectors of the American economy in which we retain a comparative economic advantage. Farm products are, therefore, one of the few items we can trade in volume.

Last year alone our agricultural exports increased by about \$5 billion. Only about \$1 billion of that increase--less than one-fifth--was trade with the Soviet Union. The remaining increase in trade came chiefly from our traditional trading partners such as Japan and the European Community.

Even so, we still suffered an overall trade deficit, and farm exports are one of our few hopes for erasing that deficit.

There are ways to fight inflation without violating our incentive system.

There has long been intense pressure on our Government to "do something" about inflation. That was the case certainly in 1971 when the current Economic Stabilization Program was begun.

Also present at that time, however, was intense pressure to keep doing many of the things which actually fed inflation--pressure to maintain massive Government spending programs, pressure to maintain a high economic growth rate, pressure to keep a lot of credit available at low interest rates, pressure to raise minimum wages, pressure to keep taxes down, and pressure to keep unemployment low. These pressures all aggravate the inflation problem, and they explain in part why inflation has been so difficult to conquer.

The makeup of the Congress was such--and the temper of our people was such--that in 1971 there appeared to be no effective way to cut Government expenditures.

The election of 1972 changed that. President Nixon clearly received a mandate to cut spending and reduce the deficit--part of the root cause of inflation. He proposed a number of spending cuts. Some were accepted. Some were not.

The President finally vetoed a number of spending bills. That turned the tide. We finally began moving in a positive direction.

The discipline which the President applied paid off. The \$250 billion spending target for Fiscal 1973 was cut to \$246.6--a savings of \$3.4 billion. This saving, along with an unexpected but welcome increase in Government revenues, cut the Fiscal 1973 deficit from a projected \$24.8 billion to \$14.4 billion.

A deficit is still a deficit. But the President announced at the introduction of Phase IV that he is determined to balance the budget in Fiscal 1974.

The inflation-producing spending policies which we are trying to bring into control are in fact cancers on our incentive system. As long as Government promises to provide more than it demands in the way of taxes, there is a disincentive for citizens to produce for themselves. As long as credit is easy to obtain, there is a disincentive for citizens to sacrifice to accumulate capital. For too long we have failed in our attempts to eliminate inflation because we have been unwilling to give up the things that caused inflation.

We must be smarter in the future.

That is why you are in session here. That is why I felt it important to be with you. You represent a great segment of the decision-making power of America for the remainder of this century.

You have a mighty burden on your shoulders. The future economic health of this nation depends upon how well you have learned the lessons which the last two years have taught us.

You certainly need not repeat the mistakes of the past. You who are in the banking business know better. I would like to think that the entire business sector knows better.

Yet, not many months ago, when the pollsters were fishing for a consensus solution to rising prices, a majority of businessmen polled supported the use of tough controls. These were not labor leaders, not college professors, not consumers, not bureaucrats--but businessmen.

What a disillusionment that was. Businessmen first and foremost should appreciate the value of incentives, and businessmen should clearly understand that controls shatter the incentive system.

The road ahead will not be easy. We have not yet worked out of controls. Yet, we are on the road to ridding the system of the root causes of its distress. Most important, we have learned that we cannot run an incentive economy from Washington.

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CREDIT--THE KEY TO CONTROL

American agriculture has changed dramatically in the 50 years since the Congress passed the Agricultural Credits Act of 1923, creating the Federal Intermediate Credit Banks.

Yet, Abraham Lincoln, in whose administration the Department of Agriculture was created, would not have been at all uncomfortable in the agricultural setting of 1923. Agriculture had not changed fundamentally in the sixty years following Lincoln's last walk among farmers across our prairie soils.

Tom Jefferson would have been right at home on an American farm 50 years ago. Even though he died almost a full century prior to 1923, Jefferson was one of the advanced planters of his day. His farm at Monticello was not unlike some of our experiment stations. He was a mechanic, an architect, and a scientist--as well as a great agrarian political philosopher. In 1923, Jefferson could have fit right in.

With only a slight stretch of the imagination, Moses might have been reasonably at home in 1923 Midwestern agriculture. I would suppose Moses knew a kind of nomadic agriculture in his day--but centuries later, in 1923, we were still carrying around the "modern" equipment of a candle and a kerosene lantern.

Address by Secretary of Agriculture Earl L. Butz Before the Joint Celebration of the 50th Anniversary of the Federal Intermediate Credit Banks/40th Anniversary of the Production Credit Associations, Omaha, Nebraska, August 20, 1973, 6:30 P.M., CDT.

I know for a fact. I was there. In 1923 we still used substantial amounts of human muscle, large quantities of animal power, virtually no chemistry, no antibiotics at all, and only elementary mechanics. There was no sophisticated plant breeding--we still selected our corn by a good-looking ear. We had not substantially improved our livestock--we just kind of picked out for breeding the stock that looked the best. That was all. There was some science in farming, but very little outside capital. It was still largely self-sufficient.

But the 50 years since 1923 have indeed been a different story. What a tremendous transition we have made--and most of it has actually come in the last 20 years. Perhaps one of the greatest changes during that half century is that we have had a tremendous substitution of capital for labor.

The farm credit institutions which you salute in this anniversary celebration have been in part responsible for facilitating that change. It was assisted by the creation of the Federal Intermediate Credit Banks fifty years ago, and it really began to roll ten years later when the Farm Credit Act of 1933 was passed creating the Production Credit Associations. That development brought this whole farm credit system into the mainstream of American agriculture.

I cannot say too much in praise of our Farm Credit System. It has been close to me since my early years--when the farm credit movement was taking root back in Indiana. The Farm Credit System was the subject of some of my graduate work, and I served for a time as a research fellow with one of your sister organizations--the Federal Land Bank of Louisville.

The Production Credit Associations have a special place in my sentiments for another reason. You very successfully accomplished what is a unique characteristic for a government-related institution when you retired all Government financial interest in the Production Credit System in 1968.

That is almost unheard of in political circles. Yet, farm people understand it. You who played a part in the retirement of those Federal funds probably understand better than most what the real function of our Government should be. You understand the wisdom of decentralization. You understand, intuitively, that this returning power to the people is really the old Americanism, a move to do throughout government what the Production Credit System did under your own leadership several years ago.

In times like these, however, we cannot dwell too long on the road over which we have already traveled. We moved quickly the last 50 years--but what of the years ahead? We have revolutionized agriculture in this country during the last 50 years, but what is coming next? What lies ahead for agriculture--here and around the world?

While it is virtually impossible to predict what tomorrow's agriculture will be like, one thing is certain--we will become increasingly a major user of science. We are a major user now--but that dependence on science will increase.

American agriculture will be on the cutting edge of knowledge in the years ahead. Farmers will be applying the technological fruits of science nearly as fast as our scientists can crank it out.

The critical factor for farmers will be acquiring the technology. Because farm technology and credit walk hand in hand--it seems absolutely clear that agriculture in the years ahead will be an even more substantial capital user than it is today.

In other words, the accomplishments of the Farm Credit System these past 50 years, and the Production Credit System the past 40 years, are only the beginning. PCA's have an especially crucial role ahead because you deal so heavily in financing of the kind which farm technology takes.

Not only will the farmer of tomorrow be a heavy capital user--he will be an increasingly sophisticated capital user. Thus, his capital supplier must be a substantially different animal from the one he did business with 50 years ago.

Farm credit is the key to our meeting the production challenge ahead in American agriculture.

Growing world food demand is now an established fact. Domestic prosperity--and the demand for more high protein foods that goes with it--continues to increase.

Daily, our society is learning to appreciate the fact that we live in a world economy: We must buy around the world--energy supplies, small cars, coffee and bananas, electronics, to mention only a few items. To buy, we must sell--and to keep the dollar sound internationally, we must maintain at least a balance in our trade. Thus, we must export on a substantial scale--and food is the one sector of the American economy in which we have a significant comparative economic advantage.

Furthermore, it is clear that the food producing capacity of this nation was an important factor in our winning the peace in Vietnam--and certainly significant in our achieving detente with the Soviet Union and the People's Republic of China.

These factors clearly yield the conclusion that we are going to need massive food production in the years ahead.

This year's crop is made. The harvest is already coming on. If we can complete harvest of the crop that has been produced--it will be a record year.

We are certainly determined to produce more next year. We have asked farmers to go all out next year--no set-aside, no conservation reserve, no arm-twisting to hold down production. The wheat program was just announced last week. Its direction is clear.

Yet, the tough question is not how we will produce enough next year. The tough question is what we can do to further increase production after we have brought all of our idled acres back into production.

Then increased production becomes a matter of technology, a matter of science. Can we find new fertility methods, new varieties, new loss prevention techniques, new pest controls, better machines, more efficient ways of harvesting, new breeds or crosses that produce meat faster on less feed and with less waste?

We can find these answers, but they cannot be put to use on our farms without added cost. No new piece of equipment can be put into a field without the dollars to pay for it. Costly new technology just cannot be applied without the credit necessary to finance it. No revolution can come in any aspect of agricultural production without adequate credit to finance that revolution.

Beyond bringing idle acres back into production, and beyond the advent of new technology, there is another way to increase production. The American farmer is pretty skilled with a pencil--even a stubby one sharpened with a pocket knife. In this nation, we seldom set out solely to achieve maximum production. We have sought optimum production--that production which, at a general level of prices, will yield the most economical and profitable return. That is just plain good economics and smart business sense.

Now, if the demand for farm production is great enough--expressed, of course, through the pricing mechanism in the marketplace--then I am confident that American farmers can and will produce more.

If prices will make it pay to do so, we can produce the added units which we do not produce now because we cannot recover the added cost of producing them.

If prices signal that we can afford to do so, we can hire added labor to man more farrowing houses in the winter time. We can take extra precautions, install more modern equipment, use additional antibiotics, feed more expensive rations--all with the goal of farrowing more live pigs, saving them from accidental death, protecting them from disease, and then marketing more pounds of pork. This we can do if there is ample price incentive to do so.

If prices are strong enough, we can raise more cattle, even feed them longer, to heavier weights, which will yield more beef--even though those last pounds are more costly to put on.

We can plant narrower rows in fields, or otherwise increase plant population, and then pour on the fertilizer or even, if necessary, expand use of irrigation to increase crop production. It would be costly--but we can do it, if the price is forthcoming and if the credit is available.

If the demand increases greatly enough, we can grow some crops under glass year around. We can install heat for livestock in the winter and air conditioning in the summer to prevent weight loss, to speed finishing, and to make gains more efficient.

What we are dreaming about here is, indeed, a new kind of agriculture. But in a sense, we are already moving in that direction. We already know how to do it.

We are already placing added burdens on the farm credit system--but you will need to be more and more sophisticated in the years ahead to serve the expanding and more complicated credit needs of farmers.

Credit will make it possible for farmers to be masters of their own destiny.

Our move to massive production increases, supported by the new Agriculture and Consumer Protection Act of 1973, is not the only recent change which affects the credit needs of farmers.

Another landmark change came forth with the Agricultural Act of 1970. That act changed the restrictive nature of farm programs and substantially increased farmers' freedom to make their own decisions and to produce for the market.

Clearly, the set-aside approach inaugurated in that act and the manner in which it has been administered has brought new freedom to farmers. The wisdom of that change has been exemplified by some dramatic production shifts such as have occurred in wheat in the Pacific Northwest.

Furthermore, we have purposely acted to encourage farmers to provide grain storage--so farmers can earn the profits which are to be made. As of now, the Government is virtually out of the grain storage business. I hope we can stay out, for good.

Farmers now hold in their own hands much more of their own destiny than they used to. If farmers are to maintain that position--and if they are to strengthen it--they will have to have the means to do so. Farmers cannot store their grain in political promises. It takes facilities to store grain--and facilities cost money.

Also, with new freedom comes added risk--and risk really means a greater danger of losing money. That will heap new and greater demands upon the credit system.

These changes are well worth the credit demands they bring forth. We have proven in recent months what clearly happens when Government tampers with the pricing mechanism which runs our incentive economic system. Government's attempts to manage American agriculture in the past have sometimes been equally disastrous.

The consequence of being freed from the shackles of the past is that our farmers will require even greater credit sources than before. Consequently, the Production Credit Associations, which are so close to farmers and which have farmers' interests--and farmers' interests only--at heart, will be one of the critical features of such a forward-looking system.

The Production Credit System will help farmers maintain control over American agriculture.

During the past several months, nearly every facet of American agriculture has been pondering this question: "Who will control agriculture?"

I have addressed the issue far and wide. The news media have editorialized on it. The Extension Service placed special emphasis on this subject for several months. Many politicians tossed around this "hot potato." It always seems to be part of any significant farm policy debate.

There has been much speculation over whether Government or big business will grasp control of agriculture. It seems clear to me that farmers must-- and will--maintain control.

To do so, however, farmers must have economic leverage. One of the most important forms of leverage available to farmers is the farm cooperative-- and Production Credit Associations are cooperatives at their very finest.

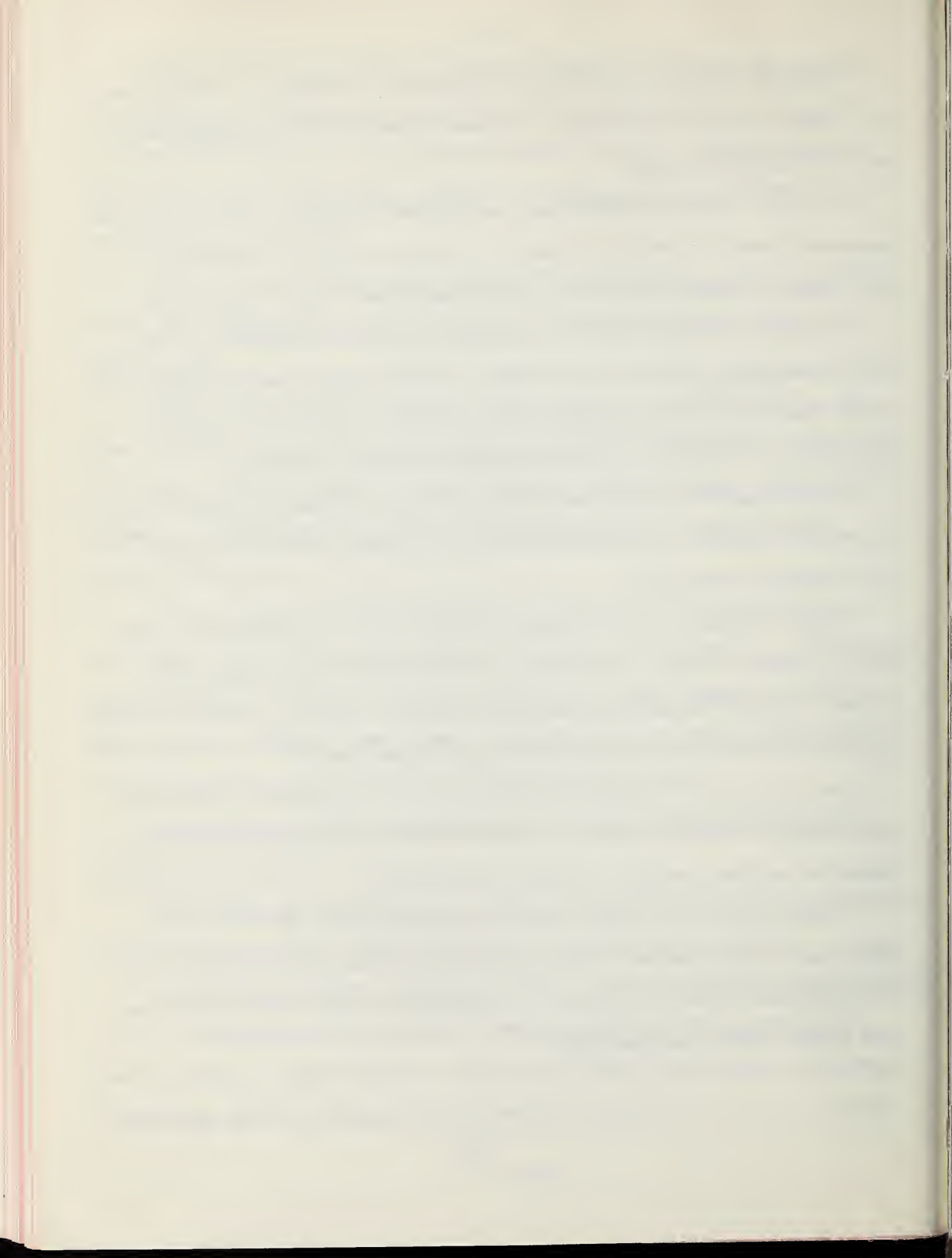
The power to provide credit to farmers will be more important in the years immediately ahead than ever before. As farm credit needs increase, and as the power to provide it becomes more in demand, the power to control agriculture will tend to concentrate where the credit sources are.

In your hands--in our sound and proven Production Credit System--is one of the most realistic and promising hopes for farmers to maintain control of our tremendous farm economy.

Neither you nor I will recognize the technology of agriculture 50 years into the future. Moses, or Jefferson, or Lincoln could have jumped ahead 50 years and found themselves reasonably at home. We cannot. We will probably all be surprised at what we find even 20 or 10 years hence.

Yet, in 10 years, 25 years, and 50 years, it is my earnest hope and my firm conviction that one thing will remain basically the same. That is for farmers to maintain control of American agriculture.

I assert today that farmer control of agriculture in the future will depend heavily upon whether farmers have access to the power of credit. The Production Credit Associations and the entire Farm Credit System can ensure that farmers never lose that power.



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It's great to get out in the country--out where the people are, where the problems are and where their solutions are being found, where our farmers produce for the tables of everyone who wants to eat well.

Secretaries of Agriculture and their top staffs have always come to the country for renewal, to see how the programs and projects being administered by the Department are working out, and to listen directly to what the people we serve have to say on their own ground.

The last few months have been hectic months. This has been a trying time for the Nation--on the international front, on the political front, on the economic front, and in the day-to-day lives of our people.

Those pressures bear in on Washington. The Department of Agriculture has been submerged in work contending with the problems of trade, of farm production, of food prices, and farm program legislation--just to cite a few.

In this short period just prior to Labor Day, however, we find a brief breather.

A new farm bill has been passed and signed into law by President Nixon. Phase IV is in operation, most food price controls have been lifted, and we are making the difficult adjustment back to letting the food market function. The 1973 crop is virtually made--and the harvest is coming in or awaits the oncoming of fall.

Statement by Secretary of Agriculture Earl L. Butz at a Press Conference
Commencing USDA-West at the State Capitol, Sacramento, California
August 24, 1973.

The Congress is now out of town for its August recess. They, too, recognize the importance of getting out where the people are, the wisdom of listening to what people are saying, and the need to put things in perspective.

For the next 10 days, the top staff office-operation of the Department of Agriculture has moved to the West. We have set up headquarters on the University of California campus at Davis, one of our fine Land-Grant Institutions.

We are here, primarily, to demonstrate one dramatic fact: This nation's ability to keep our people the best fed in the world and to participate fully in the world economy is not determined in Washington--it is determined on our farms and ranches and in the far-flung public and private facilities which serve our agricultural production plant.

Planting decisions are not made in Capitol Hill committee rooms. Production research is not conducted in Washington offices. Market systems are not perfected in regulator agencies. Crop prospects are not observed in the security-tight rooms from which the Crop Reports are announced.

At this moment, we face worldwide expansion of affluence and, as a result, unprecedented world food demand. Despite the economic problems which have beset us on the home front, our people are living better than ever--and that better living finds expression in an increased demand for better food.

We have rid ourselves of the farm surpluses which have plagued the Nation for nearly 40 years, and American agriculture has moved into a strategic position in terms of world peace and in terms of the world trade so essential to America's international economic stability.

As a result, we are on the verge of a massive agricultural expansion. We will bring virtually every tillable acre back into production next year--no acreage set-asides, no diverted acres, no schemes to hold down production. We are doing everything within the scope and authority of the Department of Agriculture to encourage and facilitate increased production--and the top USDA staff is going out into the field during USDA-West to see how we can best support this production effort.

We have come here for another reason. President Abraham Lincoln referred to the United States Department of Agriculture as "The People's Department." We seek here to extend that long-held view and to emphasize the historic and continuing effort of the Department of Agriculture to bring its services to all the people, producers and consumers alike.

No other department or agency of Government is as people-oriented as the Department of Agriculture. Our programs and agencies extend directly to the county and community level. If a program is not on target, we learn that fact very quickly.

USDA-West will give us an opportunity to continue this tradition of people orientation on a more intensive scale. All of the Assistant Secretaries are in the West. We are looking at agricultural production, and marketing, and resource conservation and we are examining our programs to see how they serve the special needs of people here in the West. Since we are all herê together, on the spot, we will be able to

interact and share our findings with each other before we plunge back into the Washington atmosphere. Afterwards, we should be able to serve you better. And your people will be better able to convey your ideas and suggestions to us.

Enroute to Davis, and throughout the 10-day USDA-West operation, our top staff will take a firsthand look at agricultural production operations. We will tour areas which have sharply expanded wheat production since 1970--under our farm programs which have given farmers new freedom to produce for markets. We will give special attention to cattlemen--to cattle feeding operations and to the packers who are much a part of our process of providing the beef which is at the top of our consumer preference list. We will also take a look at some of the highly specialized crops which are so unique to the West but which play such an important and substantial part in the overall diet of our people.

Observations made and data gathered will help us to evaluate our 1973 farm production efforts and place our 1974 crop prospects in perspective.

I mentioned that we will be going all-out in production this year. One of our efforts will be to increase our Department's efforts to improve irrigation. In the past, we were sometimes considered to be working at cross-purposes--with reclamation and other production-increasing types of activities on the one hand, while at the same time paying farmers to hold land out of production.

These production-increasing activities now are certainly consonant with the need expressed by all the people to increase agricultural production. We can thus proceed with these programs with new zest and fervor. Because of that, we will be giving these efforts special attention in the days ahead.

Increasing the land input is not our only source of increased production. The next way is to increase production technology--our technical ability to produce more on given acreage.

Thus, one of our chief interests on this trip will be to examine some research efforts related to production and to spend some time talking with USDA regional people and Land-Grant college people who are responsible for much of our research efforts.

We will visit an animal and veterinary biologics facility--important to improving animal health and productivity. We will talk with our advisory group seeking ways to eradicate Newcastle disease. We will scrutinize our efforts to seek ways to increase wheat production in the Pacific Northwest through studying wheat germ plasms for disease and winter hardiness.

One of the most immediate concerns of people is the use of chemicals in agriculture. We will observe our integrated pest control program which combines biological, mechanical, and other pest control methods with chemical control to enable us to further cut crop losses due to pests--and to minimize some of the side effects of pest control which have concerned many people.

In the same vein, keeping our streams clean and pollution-free is a great national concern. - A special group of USDA researchers is

gathering data on new methods of pollution prevention. The Extension Service shares this information widely with farmers, with feedlot operators, and with other involved individuals. This 6-State research and information effort will hold a special meeting while we are here to share more widely the results of their work, which includes the twin problems of feedlot runoff and pollution control.

We will give special emphasis to some of the marketing aspects of agriculture--so important to distribution here in this country and vital to our trading relationship. We will visit the Pacific Exchange where eggs and other commodities are traded. We will talk about meat grading with packers. We will listen to what State Directors of Agriculture and farmers have to say about marketing. We will also take a firsthand look at new shipping methods, such as containerization, and discuss the problems of handling large volumes of trade.

We will explore one National Forest where the needs of people are being given special attention--typical of many other National Forest operations. In this particular instance we will see firsthand a Neighborhood Youth Corps. The same National Forest has other Forest Service programs such as the Youth Conservation Corps, Operation Mainstream--where primary emphasis is our senior citizens, and Operation Transition--serving veterans who need special help in their readjustment process.

At another stop, we will see National Forest lands where recreation in many and broad forms is emphasized--as it is in all of our forests. A special challenge is to use our forest lands--to harvest the trees

as lumber for the needs of the nation, and to wed these needs with recreation, people renewal, and environmental considerations. The trip will also include new methods used in harvesting trees without the incursion of roads or heavy trucks and other equipment which might create erosion and other environmental damage. One example is the use of balloons and helicopters for taking out mature logs.

Few people realize the extent of Department of Agriculture involvement in programs to ensure adequate food and nutrition for people. These range from school lunch and school milk programs through food stamps and on to the related nutrition education and similar programs. President Nixon made a historic commitment to end poverty-caused hunger in this country. The Federal Government is now spending more to achieve the President's goal than ever before in the history of this or any other nation. We are vitally concerned that these programs be run efficiently, effectively, and in the best interest of those served as well as of the general public.

The Department of Agriculture is determined to do what we can to assist in improving quality of life in rural America. That is what Rural Development is all about. One primary purpose of Rural Development is to improve rural America so people will want to stay there, to live there, to earn sufficient incomes to enjoy the good life there. This will help stem the onrushing tide of people to metropolitan centers where human anthills have been created, with all of the problems this kind of people-concentration brings with it.

The Assistant Secretary for Rural Development is examining such programs as irrigation projects, efforts to bring new land into production, expanded electric and new telephone systems, work with several Indian tribal groups, and a host of other related projects. Rural Development is good for people who live in rural areas--but it is also good for people who live in congested urban and suburban areas. Thus it is good for the nation as a whole.

This sampling of our USDA-West activities is only one side of this operation in which we will be engaged. The other side is to do a lot of listening. We will be listening especially to farmers--those who produce and who face each day the problems with which we all grapple.

All in all, USDA-West should be an exciting and valuable venture. We solicit your suggestions, your guidance, your thoughts, and your help. We are eager to learn--and we feel the responsibility to share with and to report to you.

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Advance for Release at 6:30 P.M., EDT, Friday, Aug. 24, 1973

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AGRICULTURAL EXPANSION AND NATIONAL STRENGTH

For 40 years American agriculture has been blanketed by restrictions -- operating under wraps that have stifled decision-making, limited growth opportunities, and lulled processors, traders, and our foreign customers into relying on government-owned commodity inventories.

This security blanket of protection and curtailment, as everyone knows, bore the unmistakable U.S. Government imprint.

But that was yesterday.

Today, stifling restrictions have been thrown aside and the American farmer, free to make his own management decisions, is leading the way toward a stronger national economy based on plentiful production of food and fiber and timely response to worldwide marketing opportunities.

The change began with the decade of the '70's, when, under the 3-year Agricultural Act of 1970, Congress and the Administration created a refreshingly favorable climate within which farmers could react to market signals to produce the crops needed at home and abroad. This Act ended rigid acreage controls, allowing producers to choose their own farming patterns and shift to crops they could grow more efficiently.

It was a break with the past -- a change from the philosophy of scarcity to the philosophy of plenty -- leading to several discoveries.

Address by Secretary of Agriculture Earl L. Butz, Industrial College of the Armed Forces, Washington, D.C., September 17, 1973, 8:30 a.m.

The American farmer is discovering world markets.

Overseas buyers and world consumers are discovering the full measure of American agricultural productivity.

U.S. consumers are discovering the farmer, discovering that neither boycotts nor hoarding increase food supplies -- and that increasing food supplies is the only way to moderate food price increases.

Government is discovering that we cannot run an incentive economy out of Washington, that controls will not work in a free enterprise system.

From these discoveries, lessons are being learned.

Farm exports are essential to an expanding U.S. agriculture.

On August 10, President Nixon signed the 4-year Agriculture and Consumer Protection Act of 1973, which builds on the philosophy of agricultural expansion. Under this new legislation our farm programs are geared to increasing output to meet expanding demands both here and abroad -- programs that share some of the risk with farmers when they move into all-out production, as they are being asked to do in 1974.

Under this newly-signed farm legislation, the security blanket is still available when needed -- but it is folded up and stored away, ready for use during unexpected circumstances. Growers of wheat, feed grains and upland cotton will receive a guaranteed return on the portion of their crops produced on allotted acres in the event that average prices drop below "target" prices.

This new legislation fits today's conditions. American agriculture needs consumers around the world, and our world consumers need American agriculture. This growing interdependence has been brought about by a higher level of demand for goods of all kinds. Incomes are rising -- and

consumer demands are increasing -- throughout much of the world, with profound implications for agriculture. As a result, the American farmer is increasingly world-oriented.

With rising incomes, people consume more food, if it is available, and higher quality food -- more meat, dairy products, more fruits and vegetables -- foods that require more agricultural resources to produce than does a grain-based diet. To meet these new demands, principally for increased animal proteins, world agriculture has been shifting from a grain to an animal agriculture, based on scientific feeding of grains and high protein meals.

The size of the world market for grains has grown steadily and world demand for protein meal has been increasing at a rapid rate.

Per capita consumption of meat has grown accordingly -- more than doubled in 10 years in some countries, and demand continues to rise.

These are the marks of change in agriculture generated by changes in demand from the consumers of the world.

When these new-style consumers can't get the food they want at prices they feel they can afford, they complain, and their rising voices put stress on economic frameworks and agricultural systems. Governments and private enterprise alike are responding to these new demands, and are changing practices and doctrines to meet them.

Worldwide events of the recent past have severely accentuated the situation. Extraordinary and rapid increases in demand and price were the result of diverse and largely independent circumstances that were for the greater part unpredictable and unavoidable.

We had shortfalls in food and feed production around the world: drouth in Russia with poor grain and sunflower crops; drouth in India and Africa with poor peanut crops; drouth in Australia, in South Africa; poor rice crops in Asia; the far-reaching effect of the failure of the Peruvian anchovy catch; heavy rains in the United States and South America; severe livestock death losses and slowed gains among U.S. livestock herds last winter; the flooding and heavy rains that delayed planting here this spring; the realignment of currencies through two devaluations of the dollar, which decreased the effective price of U.S. farm products in their currencies for our major importers; and the continuing trend in increased foreign demand for U.S. farm products because of rising incomes.

The overall effect of these disconnected events was a drop in world production of food and feed grains and their products by some 7 percent, at the same time that demand was increasing. For oilseeds and products, besides the tremendous drop of about 1.7 million tons of fishmeal from the world market because of the cut in the Peruvian anchovy catch, there were declines in oilseed production in nearly all major producing nations.

The statistical probability of all these things happening at the same time was very slight -- but they did happen. Some of these circumstances, such as the upgrading of diets in many countries and the need and the means to import, will continue to have impact on demand and price this year and next.

The bulk of our farm exports go to traditional customers.

For fiscal 1973, U.S. agricultural exports set a new record of \$12.9 billion. This is 60 percent higher than the year before, also a record year. The large bulk commodities provided the lion's share, with about 75

percent of our wheat crop going into export, 70 percent of our rice harvest, nearly 60 percent of U.S. soybeans, 58 percent of our cattle hides, 40 percent of our tobacco, and about 35 percent of our corn and raw cotton.

With the exception of dairy products and vegetable oils, exports of every major commodity rose last year. And for fiscal 1974, total farm exports are expected to be close to \$20 billion -- shattering all previous records.

Where are these shipments going? There has been a great deal of public comment about our sales of wheat and other commodities to the Soviet Union, and about recent purchases by the People's Republic of China. These sales are important to the United States because they represent significant changes in the relationship between our countries. In the case of the Soviet Union, new sales provide a dramatic example of the important rising consumer demand for protein products. But in terms of the increase in our agricultural exports, sales to these markets played a subordinate role. Sales to the Soviets amounted to only 16 percent of the total increase in exports. Chinese purchases were even less significant.

The largest increases came in sales to our traditional customers -- Japan and Western Europe. Only 3 years ago, Japan became the first billion dollar importer of U.S. farm commodities. Now, Japan is our first customer to import over \$2 billion of U.S. farm products in one year. The total this past year was \$2.3 billion!

Western Europe, which as a region is the world's largest customer for U.S. agricultural products, took \$4.5 billion in U.S. food and fiber, compared with a \$3 billion level of only 1 year ago. Other markets, such as the Middle East, South America, the Caribbean, and Asian nations other

than Japan, all increased U.S. imports as consumer incomes rose, along with the demand for better quality food.

For several years, agriculture has been contributing to the positive side of our balance of trade -- in 1972, better than \$2 billion. In fiscal 1973, agriculture's contribution to our trade balance totals \$5.6 billion, reducing substantially the industrial trade deficit. For the quarter ending June 30, our national balance of trade turned to the positive side for the first time in 5 years, reversing the flow of dollars out of the country. For the first time in months, our dollar is moving back into a stronger position, led by the strength of U.S. agriculture.

The farmer responds to price and profit, the same as any other businessman.

Food prices are up -- there's no doubt about that. There are a number of reasons. For one thing, Americans are eating better. Farmers have been producing more to keep the counters filled, but our appetites have been increasing too. In the last year or two we have been bidding up the price of meat. In fact, red meat alone -- beef, veal, pork and lamb -- caused more than 40 percent of the increase in food prices in the first half of 1973. Now, as we move into Phase IV, I expect more beef to become available so prices should respond to an increase in marketings.

Wages have more than doubled in the last 20 years. And there are more people -- about 20 million more -- working at those increased wages. Higher wages -- more money -- inflation -- equals higher prices. But food prices climbed less than a third as much as wages during this 20 year period.

Some of the increase in food prices isn't for the agricultural product

component at all. It's for built-in maid service, the cost of which has gone up more than the price of the food in the package.

Food stamps and other government assistance have more than doubled in scope in the last 3 years. This has added to the demand for food.

Consumers are learning that the price the farmer gets changes his food production plans. This, in time, affects food prices.

Consumers are also discovering that, with a biological process, there's a long stretch of time between production plans and increases in supply at the supermarket. A year goes by between the farmer's decision to raise more hogs and the time more pork reaches the counter. The time lag between the rancher's decision to raise more calves and the extra steak on the counter is 2-1/2 years or more. Raising more broilers takes six to nine months. Producing most crops takes a year. There is no shortcut. Nature is productive, but she is patient and deliberate.

However, economic changes in agriculture have come fast. No industry has been changing more rapidly than farming, with new techniques, new materials, new equipment, changes in size, improvements in management and marketing. Consumers benefit from that efficiency.

But to achieve this agricultural efficiency, farmers must have a profit incentive.

Controls will not work in a free enterprise system.

No one knows better than you that the United States of America is the envy of the world. We have a mere 6 percent of the world's population -- a young nation in a relative sense. Yet we use 33 percent of the world's energy, we have 38 percent of the world's television sets, we drive 44 percent of the world's motor vehicles, we use 35 percent of the world's

electricity, we consume 26 percent of the world's steel, and we fly 58 percent of all civil air miles flown.

Many factors contribute to this -- but none more than our incentive system. Many other Nations, in fact, compare favorably with us in terms of basic resources. We have rich agricultural land. But so do Argentina and India. We have minerals. So do China and the nations of Africa. We have a temperate climate. So does Australia and France. We have a well established educational system. So does most of Europe. We have a population of over 200,000,000. But we are exceeded in that measure by three other nations -- China, India, and the Soviet Union.

The dominating force in our economy -- lacking in many parts of the world -- is our historic and tenacious dependence on the incentive system. This nation remains strongest, the most competitive, and the most envied in those sectors where incentive remains most dominant.

But in recent months our system has been sorely tested. The incentive orientation of our economy is being questioned.

Consumer pressures -- so easily translated into political pressures -- have exerted their influence. We have experimented with government-administered prices. We have just gone through a period of retail price ceilings -- and lengthier meat price controls. We have toyed with the idea of price rollbacks. The results have not been satisfactory. Tight supplies and near-record prices haunt the food industry.

While there are no simple answers from this point on, we can benefit from the lessons learned so painfully in recent weeks. The basic lesson can be stated very simply: Price ceilings destroy incentive.

Price ceilings on broilers under Phase II were clearly counterproductive: They reduced supplies when increased supplies were needed -- and prices, instead of being held down, jumped to the highest level in 20 years.

Under Phase III-1/2, pork, poultry and egg prices could not increase at the supermarket. Grocers, therefore, could not pay more to processors, nor could processors pay more to producers. Yet, production costs increased -- to the point where costs, in some cases, exceeded what products could be sold for. Many pork and poultry producers quickly calculated losses. There was no incentive to produce.

As a consequence, poultry breeding flocks were again liquidated -- and the result was fewer broilers and eggs. Also, heavy gilts and piggy sows were slaughtered -- and the result will be reduced pork supplies this fall and winter.

Beef price ceilings were extended until midnight September 9 in an effort to spread out the release of accumulated price pressures. Cattlemen, however, figured that prices would ultimately increase after controls came off. So feeders held cattle from market.

In all three cases, under this experiment with controlled prices, we have bid for less -- and then we wonder why farmers won't respond by producing more.

Phase IV is a move away from government controls back toward an incentive orientation.

But we waited dangerously long before we made the turn. Our economy is plagued with distortions which we cannot easily escape. Tough, perhaps unpopular, decisions still face the Nation.

We must not attempt to insulate consumers from the forces of the world market.

That is precisely what the export restriction on soybeans and some other protein products attempted to do. This was treating a symptom of another error -- food price ceilings. Inflation, and not food prices, was the

problem. We need a cure for inflation. Yet, as a people we lacked the courage to do what was necessary to stem inflation. So we took out after the symptoms.

In short, we tested the possibilities of insulating Americans from the trend of rising world prices. We adjusted prices and wages through government edict.

If we should attempt to maintain this isolation of our consumers, we can do so by cutting our exports, which will worsen our balance of trade, further devalue the dollar, and continue to weaken our already control-weary economy.

We cannot afford the luxury of running away from membership in the trading world. We must be part of the world economy because the United States cannot maintain its current standard of living without massive imports of fuels, raw materials, bananas, coffee, shoes, automobiles, TV sets, and other low-cost consumer items. We cannot import these items if we do not export.

There are ways to fight inflation without violating our incentive system.

There has long been intense pressure on our government to "do something" about inflation. That was the case certainly in 1971 when the current Economic Stabilization Program was begun.

Also present at that time, however, was intense pressure to keep doing many of the things which actually fed inflation -- pressure to maintain massive government spending programs, pressure to maintain a high economic growth rate, pressure to keep credit available at low interest rates, pressure to raise minimum wages, pressure to keep taxes down, and pressure

to keep unemployment low. These pressures all aggravate the inflation problem, and they explain in part why inflation has been so difficult to conquer.

The President finally vetoed a number of spending bills. That turned the tide. We finally began moving in a positive direction.

The discipline which the President applied paid off. The \$250 billion spending target for fiscal 1973 was cut to \$246.6 billion. This saving, along with an unexpected but welcome increase in government revenues, cut the fiscal 1973 deficit from a projected \$24.8 billion to \$14.4 billion.

A deficit is still a deficit. But the President announced at the introduction of Phase IV that he is determined to balance the budget in fiscal 1974.

I think there is another lesson to be learned, and it is simply this:
We must be smarter in the future.

That is why you are in session here. That is why I felt it important to be with you. You represent a key segment of the decision-making power of America. During most of the remainder of this century, you will serve in top leadership positions in Defense and other Departments of the Executive Branch of Government. You certainly will need to be aware of the mistakes of the past. We need a high level of economic literacy among persons in those positions of leadership.

Traditionally -- as a people and as a nation -- we have prided ourselves as being a nation of innovators, a nation of precedent-breakers, a nation of entrepreneurs, a nation of profit-seekers, a nation that has built its strength on "free enterprise."

We must continue to work hard at rediscovering the basic economic principles that make our system work. You can help provide the leadership which does not allow us to wander from the proven and proper path.

U.S. DEPARTMENT OF AGRICULTURE
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A KEY TO ENVIRONMENTAL QUALITY

The occasion that we are observing today is of interest both to people who live in urban areas and to those who live on farms.

For city people, waste disposal is a problem that is steadily worsening. Old techniques for disposing of urban wastes -- like incineration, river and ocean dumping, and landfilling -- are coming under increasing criticism and greater restrictions.

Farmers have a set of somewhat different -- but related -- problems. The productivity of agricultural lands must be protected. The productivity of marginal lands must be improved. Furthermore, farmers have difficulties of their own in disposing of farm animal wastes.

Research is looking for answers to both the urban and rural aspects of this waste disposal problem. The work here at Beltsville is attempting to establish guidelines for using urban wastes safely and effectively on land -- to turn a problem into an asset. At the same time, any criteria established by this research would also assure the safety of water and air resources.

The research which we are looking at today is a cooperative project with the Maryland Environmental Service. It has to do with composting sludge -- which is the precipitated solid matter removed at sewage plants during processing of waste water. Sludge generated by the Blue Plains sewage treatment facility, which serves much of the Washington Metropolitan Area, is being brought here to Beltsville for composting. Eventually at least 60 dry tons per day will be processed.

Address by Secretary of Agriculture Earl L. Butz on "Composting Sewage Sludge: From Waste to Resource," Beltsville, Md., September 18, 1973, 10:30 A.M. EDT.

Here's how it works: The sludge is trucked daily from Blue Plains and then mixed with a dry bulking agent such as wood chips, previously composted sludge, or some other organic material. A composting machine mixes the sludge into windrows every day for 2 to 3 weeks. This mixing draws air into the composting sludge. The rapid microbiological breakdown which occurs releases heat which pasteurizes the material. The compost is then stockpiled to cure for approximately 1 month. It then can be used for fertilizer.

In this particular test, part of the cured compost is used as fertilizer by the Maryland Environmental Service. Another portion is kept here at Beltsville where scientists are conducting further research. This includes studies on the chemical and biological changes which take place during composting, looking for ways to reduce odors and eliminate harmful organisms.

It now looks as if composting comes closer to being technically efficient, economically sound, environmentally safe, agriculturally beneficial, and politically feasible than any of the alternative methods for disposing of sewage sludge.

This is a typical example of how agricultural research provides some very special services to people who are not primarily engaged in agriculture.

Waste disposal is an integral part of the problem of maintaining the quality of our surroundings: or more specifically, keeping the environment clean and protecting its ecosystems, as scientists today put it. Waste disposal difficulties have been made more complex by the increasing volume of wastes produced. The volume is so large that it can no longer be broken down or dissipated by natural forces in the environment. These natural forces do help to some extent. Soils decompose large volumes of waste, and some natural processes restore water and air.

The march of civilization -- with present concentrations of people -- has reached a point where natural processes are not enough. So we must help nature through technology. I am confident that technology can solve many -- if not all -- of our current environmental problems.

Even while saying this, I'll have to admit that technology still has a long way to go. It has not yet provided any effective way to control most odors from feedlots and processing plants. We still need better ways to decontaminate soils and waters polluted with heavy metals, infectious agents, or pesticides. Some rather promising leads for recycling or making useful products from various kinds of wastes are currently being explored, but practical methods are still lacking.

The task is monumental, so each major breakthrough is heartening. That is why these Beltsville studies are so significant. They represent a very vital portion of a very important total picture. They are helping to develop and validate a workable system for disposing of one kind of environmental contaminant.

I noted earlier the rural and urban facets of this problem. Worth noting also is its magnitude.

Certainly it is logical to expect that the problem of urban waste disposal will continue to grow in direct proportion to population increases.

The problem of farm wastes will also continue to grow. As an example, recent research has been emphasizing production increases, particularly with regard to livestock. Success in this work would be rewarding for both farmers and consumers. But larger, more concentrated livestock populations will contribute to a larger volume of farm wastes. Add to this the very real possibility that future environmental requirements will substantially restrict the discharge from feedlots, and you have a potentially explosive situation.

Furthermore, waste disposal -- at least given our present state of technology -- is an expensive proposition. These expenses add to the cost of production. Thus, if science and technology cannot reduce these expenses -- or even hold them in line -- the cost of meat to consumers is likely to climb. This, obviously, is a possibility that most of us would like to avoid.

Of all the possible methods for disposing of urban and farm wastes, land disposal is probably the most feasible technique and involves the natural recycling process.

It is a very ancient practice and one that is ecologically sound, since it returns wastes to the land. We think it can be used effectively in meeting some specific waste disposal problems. A number of other public agencies obviously share this view, judging from the excellent cooperation we have experienced in these studies. I would like to recognize their cooperation and help.

The Maryland Environmental Service and the Agricultural Research Service have shouldered a large share of this responsibility. Assistance has also been provided by municipalities that contribute to the Blue Plains plant, by university people, by county and State personnel, and by officials of the Food and Drug Administration, the Environmental Protection Agency, the Corps of Engineers, the Department of Transportation, and the Department of Defense.

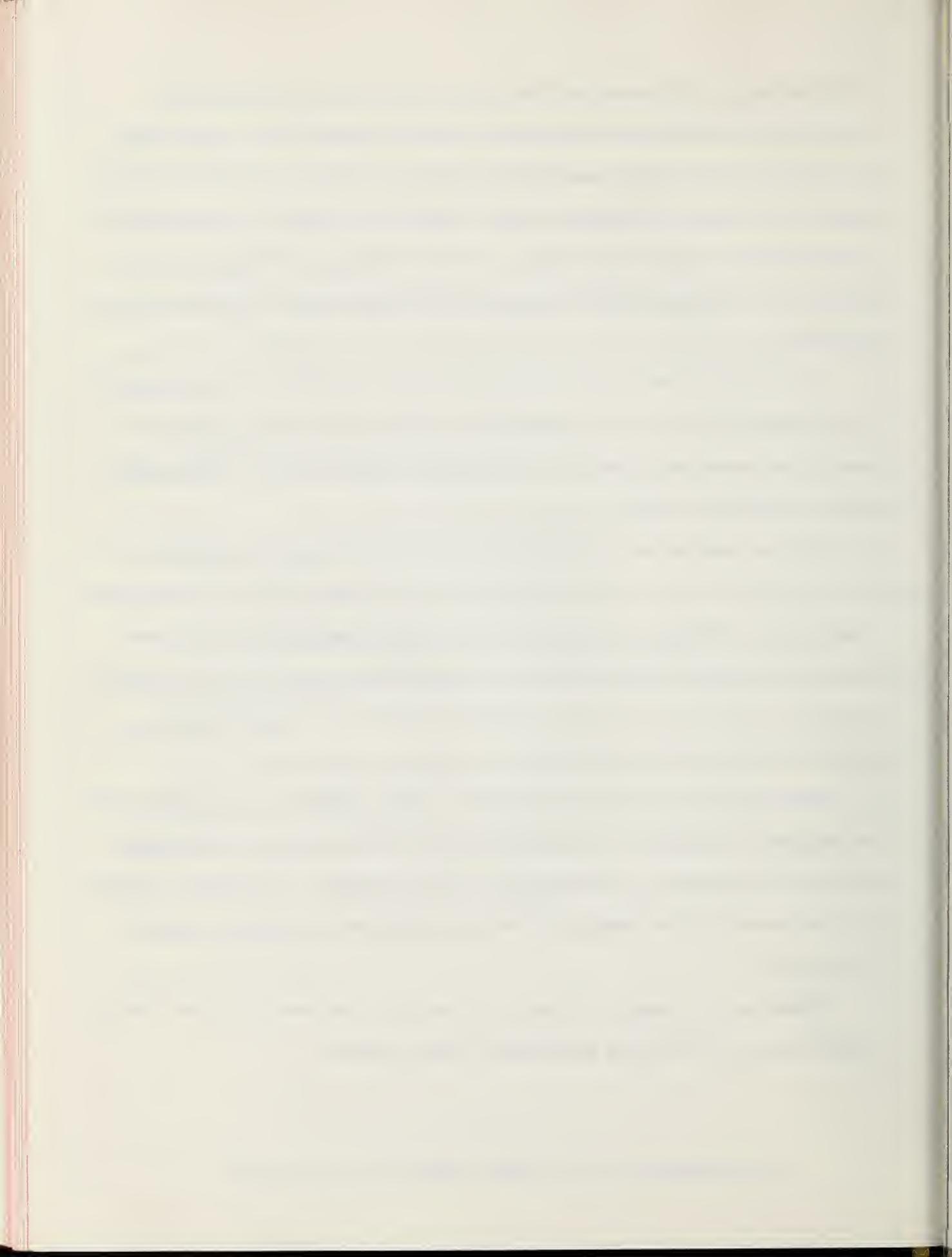
Beltsville is, of course, a fine test area. It offers the space needed at a location that is on the perimeter of a major urban area. This area contains a larger concentration of scientists than almost any other similar area in the United States.

With so much talent and expertise located in such close proximity, it is small wonder that we have attained such a high level of inter-disciplinary cooperation. This, in itself, represents a potential saving in time and resources: without the cooperation of agricultural scientists and sanitary engineers, the time required for designing and testing waste disposal systems could be infinitely longer.

Because of the urgency and magnitude of the problem, pilot studies here at Beltsville are proceeding at full speed. At the same time, supporting research is in progress to improve the various parts of the process. During the tour which you are about to take, you will view the present state of this work.

Thank you for coming. I hope that you will take away with you a fuller appreciation for the value and scope of these studies.

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HINDSIGHT AND FORESIGHT

This anniversary celebration focuses on both hindsight and foresight.

With hindsight, you perceive the greatness of the 40-year record of your Production Credit Associations and 50 years of Federal Intermediate Credit Bank service. With foresight, you have an obligation to look forward with the benefit of wisdom from yesterday's experience.

We pay tribute today to the foresight of the founders of the Production Credit System. Those were prudent and imaginative men who set up the Federal Intermediate Credit Banks one-half century ago. Indeed they were architectural geniuses in the sphere of farm credit.

Then ten years later, here at Champaign, just a handful of determined leaders gave life to the first Production Credit Association. It was not easy to take such a bold step, to risk such an unusual new venture. On this day we pay tribute to the foresight of those who helped this System take its first step.

With the benefit of hindsight, I want to commend the Production Credit System for its role in the rise of American agriculture to the pinnacle of world superiority. This System has made its mark directly--by enabling farmers to obtain the capital items which have transformed laboratory science into practical field and feedlot technology. This System has made its mark indirectly too, in the manner of all sound farmer cooperatives--by helping keep other credit institutions competitive in serving farmers' needs.

Address by Secretary of Agriculture Earl L. Butz at the 40th Anniversary of the Production Credit Associations and the 50th Anniversary of the Federal Intermediate Credit Bank of St. Louis, University of Illinois Assembly Hall, Champaign, Illinois, September 19, 1973, 2:30 p.m., C.D.T.

Your anniversary comes at an historic turning point for this Nation's farm policy.

For more than 40 years, we have operated in an atmosphere of curtailment. In one form or other, our public policies and programs have been largely designed to hold down production or dispose of surpluses.

For the first time in 40 years, we are turning American farmers loose to produce, and encouraging them. The Agriculture Act of 1973--just recently signed into law and already being implemented--supports this new direction.

For the first time in 40 years, we are being challenged to produce all we can--instead of being threatened not to produce too much.

For the first time in 40 years, the world can observe the full potential of the food producing genius of our farmers--and the entire complex of American agriculture.

For the first time in 40 years, our farmers are not being taken for granted. In fact, we have before us perhaps the greatest--and most exciting--challenge American agriculture has ever had.

I do not take this challenge lightly. Neither do those in the Department of Agriculture who serve farmers.

I am confident that the challenge before us has been seriously accepted by every farm family in this hall, every farm family across these three heartland States, and every farm family in America.

Furthermore, there is no doubt whatsoever in my mind that the Production Credit System will be a key factor in our meeting the production challenge we face.

Yet, there are pitfalls ahead of us. We must have the foresight to meet them head on.

Be wary of the hindsight prophets--those whose quest for notoriety would shackle our incentive-driven farm economy.

During the past 18 months, while food prices and farm production have been front-page news, an ever-growing pack of vocal opportunists has been fouling the public understanding regarding American agriculture. Now, I too have perfect 20/20 hindsight--the ability to perceive what might have been done differently with the benefit of perfect knowledge of developing events--abnormalities such as weather, a lessening of international tensions, changes in supplies of competing products, the worldwide demand explosion, and so on.

With perfect 20/20 hindsight, these opportunists now decry the unwisdom of food price controls. That judgment, of course, is absolutely right. Price controls on food have proven to be mostly counterproductive.

Yet, six months ago--and less--some of the same people demanded price rollbacks and across-the-board price freezes, and some members of Congress were geared up to vote for them.

Beware of that kind of hindsight prophet. It was those same prophets who forced the situation that led to food price controls in the first place.

Be ware of the panacea of counterproductive controls.

Too often in recent months our inflation-weary society has erupted in a boil of public pressure which has been expressed in a desire to "at least do something"--however unwise that something may be. It is easy, indeed, to ask the Federal Government to "do something." After all, it has the power and the machinery--in which we sometimes place undue confidence.

We have knuckled under in months past to several controls in agriculture. Most of them have proven to be counterproductive.

We placed price ceilings on broilers in 1972. When seasonably variable broiler prices rose, Phase II ceilings were clamped on. Robbed of the opportunity for fair returns, broiler producers cut production. Breeder flocks were liquidated. When the ceilings were eventually lifted, broiler production had dropped. Yet demand for broilers remained strong. As a result, broiler prices jumped to the highest level in 20 years. The broiler industry had to go back one more life generation and first replace the breeder flocks before they could really expand output in responding to the increased profit potential.

Pork and poultry retail price ceilings last summer prevented grocers from paying more to processors--nor could processors pay higher prices to producers. Yet, production costs increased--in some cases exceeding what products could be sold for. With even a dull pencil farmers quickly calculated their losses. So poultry breeding flocks were again liquidated--resulting in fewer broilers and eggs now and in the months ahead. Every pregnant sow slaughtered last June represents pork chops you and I won't eat this winter or next spring.

Beef price controls were extended beyond the time when other food price controls were relaxed. The idea was to spread out the release of accumulated price pressures. But farmers figured prices would jump when controls were removed--so some feeders held cattle from market. That cut beef supplies. Some housewives purchased extra meat to stack away in the freezer. In turn, demand for poultry and pork increased, pushing those prices even higher.

Export controls on soybeans forced a voiding of contracts which had been carefully negotiated. They irritated, justifiably, many long-standing customers as well as more recent buyers. They damaged our image as a dependable supplier of farm products.

Controls on fertilizer prices may also prove to be counterproductive. Domestic and worldwide demand for fertilizer has increased sharply, and we need the fertilizer for all-out production next year.

World fertilizer prices have increased substantially. Yet, under controls, domestic fertilizer prices are frozen. As a result, overseas markets threaten to drain away our fertilizer supplies. Thus, many farmers fear that they will be unable to obtain adequate fertilizer for the season ahead.

Those who favor fertilizer controls believe they will help hold down food prices. They certainly will not if, as may well happen, adequate fertilizer is not available for American farmers.

Never at a loss for a new potion for the ailing system, "control proponents" would next clamor even more loudly for farm export controls. But we are heavily dependent on imports--and, if we were to halt food exports, some nations might stop our energy imports. That would tighten our already short fuel supply--and one of the pressure points would be our means of food production.

The scope of this vicious cycle of controls is as endless as it is counterproductive.

A headline in a recent farm publication highlighted perhaps the ultimate in the counterproductivity of controls when it quoted a top farm spokesman as saying--"Farmers will boost food output when price manipulation ends."

American farmers can't be faulted for hesitating to go all out in boosting food production as long as there is any prospect or lingering threat of reimposing food price freezes or export controls.

Farmers need a climate in which they can plan. Production does not increase in a climate of bureaucratic uncertainty.

Let's be positive about the importance of our farm export market.

Arkansas, Illinois, and Missouri are three of our leading farm export States. Illinois alone, the nation's top farm export State, contributed \$1.3 billion to our \$12.9 billion export record in Fiscal 1973.

These three States, together, accounted for nearly \$2.3 billion--roughly 18 percent--of the nation's total. You exported more than \$1.1 billion worth of soybeans and soybean products. That is well over one-third of all United States soybean exports and almost 9 percent of our total farm exports.

Roughly 22 percent of our feed grain exports--more than one-half billion dollars' worth--comes from these three States. One-fourth of all the rice we export is grown in Arkansas, and both Arkansas and Missouri export a great deal of cotton. Illinois and Missouri also contribute substantially to our wheat exports--and these, of course, are only the major export items.

Without question, you contribute mightily to our strengthened world trading position. Without question, farm exports are making possible the great turnaround which we are experiencing in farm policy.

Our farm trade is based on the fact that American agriculture has a great economic comparative advantage. That means we are able to produce food more efficiently than other countries.

Trade and efficiency have a reciprocal relationship that is important to consumers. It is undergirded by the economic fact that we cannot produce food and fiber efficiently operating at 80 percent of productive capacity. When we hold down production--costs mount. That results in higher consumer prices (which have been politically unacceptable)--or subsidized prices (which have been politically unpopular).

When we produce closer to capacity, we reduce per unit production costs. That enables farmers to earn a better living, while it enables products to be priced to consumers at more reasonable levels.

In short, the only long-term way of achieving the most economic prices for food, and still maintain adequate farm income, is to produce at capacity--and that is a reasonable and economic possibility only with continuing farm exports.

Farm exports are very important for other reasons. First of all, farm exports are the best way we have to pay for the petroleum, the small automobiles, the electronic equipment, and the other things we export as well as our tourism around the world. We buy fuel, autos, coffee, recorders, and vacations not with dollars but with soybeans, cotton, rice, corn, and wheat.

Sizeable and continuing farm exports strengthen the value of the dollar abroad. They are our soundest preventive medicine for warding off dollar crises.

Recent weeks have yielded evidence of this fact. The dollar has strengthened chiefly because a bushel of wheat and a ton of bean meal and a bale of cotton will now buy more than they used to. A ton of feed grains will buy twice as many barrels of oil as it would last year.

Farm exports are also vitally important to peace. It is no accident of history that the Socialist nations of the world are now coming to this great incentive-oriented breadbasket of ours for food. We have the system to produce that food. In the past year and one half especially, that productive capacity has been part of our ability to achieve peace. Our farm export capacity has been a major diplomatic tool used by President Nixon in his historic efforts to build a basis for lasting peace in the world.

The foresighted Production Credit System will be a key to maintaining and improving our productive superiority.

Modern agriculture--to be both highly productive and efficient--requires a great deal of capital. To feed our increasingly affluent population--and to maintain the export capacity which is so vital--takes a maximum of technology. That technology costs money. That means a dependable and abundant source of credit is critical.

Credit is, in fact, an essential tool of production--just as surely, perhaps more surely, than is labor. Without credit, we cannot succeed in maintaining an efficient expanding agriculture.

Much of my faith in what American agriculture can accomplish in the future stems from my confidence in the PCA system. I am confident that, through your own efforts and through the competitive influence you will continue to have on the farm credit system--ample farm credit will continue to be available to meet agricultural needs.

It was foresight which helped set the Production Credit System into motion--and which helped you contribute so mightily to our unprecedented success today. With equal foresight and resourcefulness on your part, the family farm will remain the backbone of this incentive economy for as far ahead as we can see.

Advance for Release 6:30 AM, EST, Wednesday, September 19, 1973

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McDavid (202) 447-4026

Sept. 19, 1973

NEWS

U. S. DEPARTMENT OF AGRICULTURE

SECRETARY BUTZ ISSUES STATEMENT ON FAO GRAIN MEETING:

WASHINGTON, Sept. 19--Secretary of Agriculture Earl L. Butz today issued the following statement on tomorrow's Rome meeting convened by Dr. Addeke Boerma, Director General of the Food and Agriculture Organization (FAO) of the United Nations (UN):

The Director General of the UN's Food and Agriculture Organization, Dr. Addeke Boerma, has invited the United States and other wheat-exporting nations to a meeting on a possible shortfall of world food grain supplies for 1973-74.

Dr. Boerma suggests in his invitation that the meeting will consider ways to increase grain export availabilities, economize on non-human uses of wheat, and share available supplies according to some internationally acceptable criteria so as to ensure distribution on an orderly and fair basis to all countries.

The United States government will be represented by senior officials of the U.S. Department of Agriculture (USDA), Agency for International Development (AID), and the U.S. Department of State at this meeting, and we will do all we can to cooperate with other nations in the current situation of tight grain supplies.

Fair and Open Access to Available Supplies

The United States has made the strongest effort of any wheat exporting nation to maximize the export availability of wheat. We are the only major wheat exporter which has kept its markets open and its supplies available to all buyers on a completely open basis. This policy has been maintained despite a substantial price increase for domestic consumers.

The United States has no subsidy program that fosters feeding wheat to livestock or processing food grains into non-food products. Wheat feeding in the U. S. has dropped substantially because the market has been bidding wheat into human food channels.

Supply-Demand Balance

While we agree that grain supplies are currently tight, our experts do not see the 9 million ton shortfall suggested by Dr. Boerma based on the estimates of the International Wheat Council (IWC). The IWC estimates actually presented a range of possible production and consumption levels. Dr. Boerma has taken the worst possible production level and the highest possible consumption figure to arrive at his projected deficit. In addition, the IWC estimates use some basic assumptions that limit their use as predictors. For example, they assume no draw down in wheat stocks this year. In fact, however, both the United States and Canada are likely to draw down their stocks further in response to the need and strong prices.

The IWC estimates of import requirements are based on what the countries themselves said they planned to import earlier this year. In India's case, for instance, the import figure evidently included some grain for building stocks. This is obviously not the year for anyone to build stocks, and India has probably put off stockpiling. But the IWC data still reflects the original figure.

USDA experts currently estimate the grain available for export around the world this year will be just about equal to import demand at prevailing price levels. If the world production situation continues to improve in Canada, India, Russia and some other important areas -- and if some institutional barriers can be overcome -- there could be additional grain available beyond minimum requirements

U. S. Crop Outlook Improved

The U. S. crop outlook has also improved since Dr. Boerma issued his invitation. As of September 1, the crop forecasts indicated our wheat crop will be 1 percent larger than indicated on August 1, and 183 million bushels above 1972; our feed grain production is forecast at a record 210 million tons, 2 percent above last month's projection and 5 percent above last year; soybean production improved 4 percent from last month, and is expected to be 316 million bushels larger than last year.

Increased Crop Production Ahead

The U. S. has expanded its wheat, corn and soybean production to all-time record levels in 1973. More than 40 million additional acres of U. S. cropland were made available for production in 1973; and 20 million acres additional will be freed for production in 1974. For 1974, we will divert no cropland at all, leaving our farmers completely free to respond to the demands of domestic and export buyers for increased farm production. This, along with the strong market prices for farm products, should stimulate efficient U. S. farmers to even greater production in 1974. This assurance of increased production should help to eliminate any unnecessary stockpiling by importing nations in the current year.

Needs of the Developing Nations

The current tight supply of grain, and the accompanying high prices, put their most painful burden on the developing nations.

The United States is fully aware of the problem they face. After all, the United States has provided more than \$20 billion in food aid under its Food for Peace program since 1954 -- about half of it wheat. The United States has also contributed nearly half the total pledges under the World Food Program since 1962.

The U. S. has also been carrying most of the world's grain surpluses -- at a considerable expense -- since World War II. We shipped the bulk of the 10 million tons of grain needed by India during each of its drought years in the mid-1960's. Currently Public Law 480 is meeting a large share of the emergency requirements of Bangladesh and West Africa. It is now pledging assistance to respond to the recent massive floods in Pakistan, as it did last year when floods devastated the Phillippines.

Despite the tight supply situation the United States will contribute nearly \$900 million to meet requirements of developing nations this fiscal year.

Through its support of international financial agencies such as the World Bank as well as through its own aid programs, the U. S. has played a leading role in providing developing countries with the resources necessary to enable them to compete in the commercial market for food.

However, the United States has also been carrying virtually the whole responsibility for meeting the world's growing demand for grain in the past four years. World trade in wheat and feed grains has increased roughly one-fourth in this period, and U. S. exports in 1973-74 are expected to be almost 70 percent greater than in 1970-71.

In the year just ended, world grain trade increased 25 million tons -- and U. S. exports increased 30 million tons; thus, the U. S. provided all of the increase plus making up for some of the shortfalls.

The increased demand has been partially due to poor crops in some parts of the world, but also to increasing world demand for livestock products and thus for livestock feed.

It is in the interest of the developing nations, too, to stimulate the increased grain production the world needs and wants. Prices are the most effective way to do this.

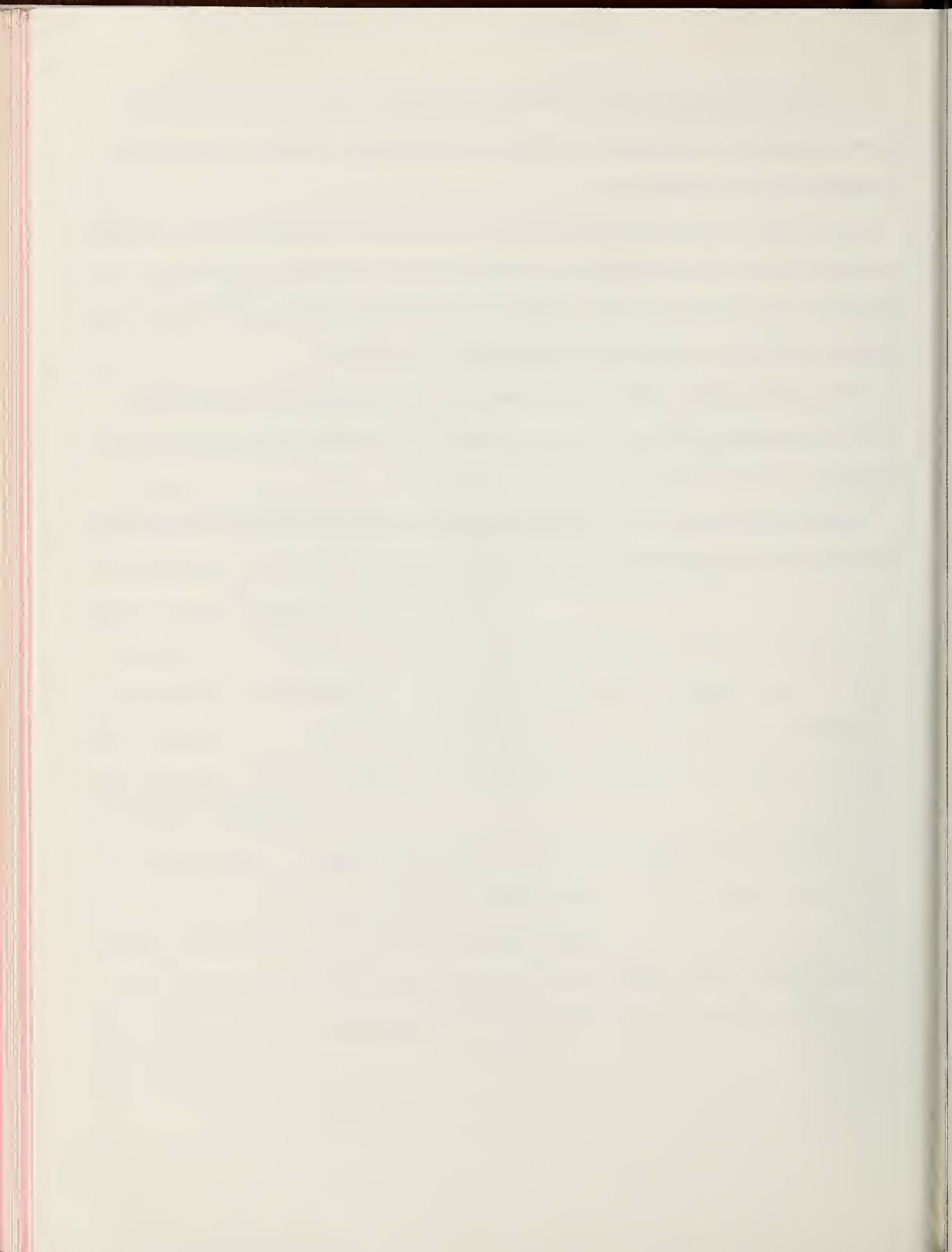
The United States' recent experience with price and wage controls, together with the long history of failures in international commodity agreements, convinces us that free and open markets are the best and most realistic way to assure an equitable sharing of available grain supplies.

The United States invites other grain producing nations to open their markets to all buyers, as we have, and to put their grain on the market, as we have.

If this were done, the additional grain thus made available for food use should ease the supply-demand tension and moderate prices.

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OUT OF THE WILDERNESS INTO THE PROMISED LAND

Your cooperation with the U. S. Department of Agriculture, and with each other, is a constant source of satisfaction and inspiration to me and my staff. Through our joint efforts, farmers and ranchers today recognize and are taking advantage of new opportunities in agriculture. I trust that our continued cooperation in the future will help producers move ahead to new record accomplishments and higher farm incomes.

Farmers' realized net income this year will approach \$24 billion, up from the record \$19.2 billion set last year. The 1969-72 average of \$17.1 billion of realized net farm income compares with a \$13.3 billion average for the previous 10 years--an increase of 29 percent.

We expect that realized net income per farm this year will exceed \$8,000. During the past four years, per capita disposable income of farm people has averaged 78 percent as much as for non-farm people, compared with only 65 percent in the 10 years before 1970. That is a brightening picture. In 1972 the figure was 83 percent.

Of course, it's not all roses. Farm production expenses went up from \$26.4 billion in 1960 to \$49.2 billion in 1972. They could reach \$60 billion this year. Average per farm expenses, which increased from \$6,650 in 1960 to \$17,132 in 1972, may go as high as \$20,000 in 1973.

But on the whole, things are looking up for agriculture. Rural communities are vital and alive again. When farm prices are strong, not only do farmers benefit--but so does everybody farmers do business with.

Address by Secretary of Agriculture Earl L. Butz at the Annual Meeting of National Association of State Departments of Agriculture, Portland, Maine, Sept. 23, 1973.

For the first time in a long while many farmers today are looking to a future in which they help make the important agricultural decisions.

Agriculture, with its roots in the family farm, is once again recognized as the Number One mainstay in the U. S. economy.

Most homeowners and owners of city and suburban property have some understanding and sympathy for the problems that face investors in land and buildings.

But not too many of our city friends know of the tremendous amounts of capital invested in farms.

Our national farm investment in land, buildings, livestock and equipment totaled \$332 billion on January 1 of this year--up 13 percent from January 1972. Total farm assets are up this year by 12-1/2 percent; from \$341 billion in 1972 to \$384 billion in 1973.

We who serve agriculture should also help our city friends get a better understanding of agriculture. Agriculture is bigger than just farming alone.

The number of people working just in farming alone totaled 4.4 million in 1972. But if you add in all the people working in farm-related industries, agricultural employment totaled about 16 million workers, or about one-fifth of the entire U. S. labor force.

This means that when agriculture prospers so do the factory workers that make all the things farm families buy. So do the truckers, the railroad workers and shippers. So do the canners and processors. Many of these people are far removed from the farmland itself.

More obvious beneficiaries of good times for farmers are the dealers that sell them farm equipment, and the groceryman, the hardware man, the

clothing merchant, the car dealer, and other local business firms. The biggest shot in the arm we could possibly give the Rural Development program in any State is to pump more farm income into communities through the free market system.

That's what is happening.

I read the other day where one farmer said he had paid all of his bills after harvest for the first time in 23 years, and still had a third of his wheat left unsold. You think he's not happy? And his banker? And the school board, and the church he belongs to?

That man is proud of being a farmer. He's got his head up high--and he walks down the street with an air of confidence, and money jingling in his pocket. And it's about time! There's a new spirit of agriculture abroad in the land. And it's up to us to help maintain the environment that protects farmers in their new-found prosperity and expectations. We need to do this to insure an adequate and economical food supply for our people 10, 20, or 30 years down the pike.

On the national front we're doing just that.

This year the Congress enacted a new 4-year farm bill.

It's a good bill. It doesn't have everything in it the Administration would have preferred, and it has some things that we didn't want. But it doesn't have everything all of the members of Congress wanted, either. It's a compromise. After all, being able to compromise situations without compromising principles is the very essence of good government.

That's the spirit in which the Agricultural Act of 1973 was hammered out and put together, and as your Secretary of Agriculture I assure you I'm

going to do everything in my power to make the Act work for the betterment of farmers and of all consumers in this nation and abroad.

U. S. agriculture today plays a major role in our quest for world peace. Farm commodities have become major trading stock in international peace negotiations. In this setting, the market-orientation of our farm programs for wheat, feed grains and cotton puts U. S. producers in a strong position to respond to the ever-growing, worldwide demand for food and fiber.

This market-orientation is a basic turn-around from the farm programs that have been in vogue since the Triple-A days of the 1930's. Basically, those were programs of curtailed production--of paying farmers not to produce. The emphasis of our current farm programs is on production--for markets, and higher farm income.

The farm bill which becomes effective next year authorized a new feature--a target price concept which allows the Federal Government to share some of the production risk without interfering with the price function of the market, and without forcing Washington-made allotment and quota provisions on individual farmers.

The target price concept says to the farmer, in effect: "Go ahead and produce for the market. If something unforeseen happens to distort the market system, or if a natural disaster should distort your individual production pattern, the Federal Government will assist you in maintaining farm income based on normal production of your farm at the target price."

The 1974 and 1975 target prices have been established by the Congress at \$2.05 per bushel for wheat, \$1.38 per bushel for corn, and 38 cents per pound for cotton.

The net effect is that farmers are free to expand production during the current period of worldwide food and fiber shortages with less fear of a serious drop in farm income. At the same time, this can stabilize food prices for consumers, and satisfy growing demands abroad.

This new program will encourage farmers to look at demand signals from the market, and will help in our battle against inflation by encouraging American farmers to produce at full capacity.

No one knows for sure that the worldwide shortages will continue to exist to the same degree and intensity as this year. But every economic and social indicator tells us that strong foreign demand for U.S. farm products will continue. The principal regulator in the whole picture of world agricultural competition is price.

Here at home, our consumer demand continues strong. We've seen the disastrous results that can take place when we ignore the lessons of the past and give in too quickly to the pressures of politicians. I'm talking now about the strong consumer demand, higher food prices, and the imposition of controls in response to consumer pressures.

By caving in to consumer pressures we caused ourselves some unnecessary grief.

Elimination of poultry breeder flocks, marketing of pregnant sows, and similar actions by farmers were entirely predictable when, by Government decree, farmers were shut off from the opportunity to make a profit in the marketplace.

I think the American people have learned an economic lesson--that you can't get more by bidding less:

This Administration is dedicated to a philosophy of opportunity and investment--and a fair return in the marketplace for that investment.

We are opposed to a philosophy of a controlled agriculture, where the major decisions are made in Washington.

We are opposed to a system which calls for the Federal Government to carry the inventories of wheat for millers, or of cotton for the textile manufacturers, or any other commodity for a special group--through the Commodity Credit Corporation or any other agency of government.

Agriculture is going all out and playing a leadership role in our battle against inflation.

We'll need your continued cooperation and support in this effort. Many consumers still do not understand the economics of agriculture.

We have prosperity in the United States--and that prosperity is reflected in food demand.

Employment is up. There are three million more jobs in America today than a year ago. Take home pay has increased. We should help these new wage earners, and all workers, understand that inflation robs them of the spending value of their dollars--not only at the food store, but at the clothing store, when they buy homes, or cars, or send their kids to school, or buy medicine or hospitalization for the family.

We're fighting inflation in the Department of Agriculture, and elsewhere on the Federal front, by helping farmers expand their agricultural production, and by exercising monetary restraint to moderate the root cause of inflation.

In the meantime, we have to fight the symptoms of inflation. We have tough new Phase IV controls. Many of us will be pleased when Phase V comes

into effect--Phase V is Phase-Out. But these controls are buying the time we need in our campaign to cool off the economy.

The Federal Reserve System is helping by checking rapid growth in the nation's money supply.

Even with these restraints, we still face the prospect of strong new inflationary pressures unless we can curb Federal spending.

The Congress has not yet made nearly \$1.5 billion of cuts which the President has recommended. In fact, programs which the Congress either has already passed, or is now considering, would produce an additional deficit of \$6 billion. If these actions by the Congress stand, the result will be higher prices for every American family.

The first public reaction to high prices is nearly always evidenced in the food sector. That makes this matter critical to you and me.

The Federal budget affects all of us. It's your budget, and that of the farmers you represent. It's paid for out of our taxes.

Farmers and ranchers listen to you. They look to you for wise counsel. The U. S. Congress also looks to you for advice. The stable prosperity we all seek depends, in part, on the kind of counsel and advice you give to farmers, to agribusiness interests, and to Congress.

It will take the best efforts of all of us working together to achieve for American agriculture the recognition and lasting rewards it so richly deserves. First steps in this effort should include encouraging all-out crop production, maintaining an abiding faith in the vigor and virtue of free markets, sharing with other sectors our specialized knowledge of the economics of food production, and marching solidly beside a president who is determined to end the inflationary pressure of continued deficit spending.

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PROFIT - THE KEY TO PRODUCTION

To recount the many accomplishments of Herrell F. DeGraff would take more time than you have allotted me, so I shall forego that pleasure.

But I do want to say that, through the years that I have known and worked with your outgoing president, he has been a tower of strength and support. Together, we have fought many battles in behalf of agriculture and the free enterprise system.

Herrell was born and raised on a farm in western New York--which I suppose accounts for his one lapse in judgment in choosing Cornell over Purdue to be his Alma Mater.

But they taught him well, and he has distinguished himself in many ways--serving as the H. E. Babcock Professor of Food Economics from 1951 to 1962, among other notable academic contributions.

During the 1950's and 1960's I personally benefitted from Herrell's advice and counsel in his various roles as economic consultant to the Secretary of Agriculture, consultant to the American National Cattlemen's Association, and to the National Association of Food Chains, and since 1962 as Executive Vice President and President of the American Meat Institute.

Herrell, although you are giving up your title, don't think you can get away from us. We shall continue to call on you for highly valued and constructive suggestions, and free advice from time to time.

Now that I've explained the working relationship we've enjoyed with Herrell DeGraff, let me quickly add that this is not the end, but only the beginning of

Address by Secretary of Agriculture Earl L. Butz at the annual meeting of the American Meat Institute, Chicago, Illinois, September 24, 1973.

a new working relationship with the AMI.

Fortunately for the Department of Agriculture, for the American Meat Institute, for farmers and consumers of the nation, Herrell's successor is a man well qualified to pick up where Herrell is leaving off.

I've known Dick Lyng, also, for a long time. As Assistant Secretary of Agriculture for Marketing and Consumer Services, Dick's work and abilities were outstanding. The high quality of his performance in that job ably recommends him for the difficult, but rewarding, position he now will occupy with the American Meat Institute.

I look forward to continuing the mutually beneficial, working relationship between the Department of Agriculture and the American Meat Institute in the days that lie ahead.

Philosopher Will Durant once said that, "The crossroads of trade are the meeting place of ideas." And H. G. Wells described human history as "a history of ideas."

The idea that has permeated American history from the earliest days to now has been "free enterprise."

The incentive that moves our economy is profit. And the evidence of this successful motivation lies all around us.

Here we are--a mere 6 percent of the world's population. As time is reckoned by historians we are a young nation. We are a melting pot; our society is made up of people of every nationality and color--every race and creed. Yet we are a lusty, thriving nation with our future still a challenging one.

We use 33 percent of all the energy consumed in the world. In the United States alone are 38 percent of the world's television sets. Americans drive 44 percent of the world's motor vehicles, use 35 percent of the

world's electricity, consume 26 percent of the world's steel, and fly 58 percent of all the civilian air miles flown.

These solid achievements in a world built on industrial might did not happen in a vacuum. They happened because the political and social ideas espoused by our forefathers were united into a free market economy, held together by the glue we call profit.

Consider for a moment:

The United States is not the only nation with rich land resources. Look at Argentina and Brazil in South America, or consider the vast and fertile land mass of India.

Our mineral wealth is matched by countries in Asia and Africa.

The temperate climate we enjoy in much of the United States is no better than that of France or Australia.

Most nations of Europe have excellent school systems and many first-rate cultural attainments.

At least three other nations--China, India and the Soviet Union--have more people than the 200 million who live in the United States.

The one feature of our society which makes us stronger and more competitive is our free market system and the profit incentive that makes it work.

The food industry offers a good example of how the profit motive works. Socialist countries today have joined the ranks of other nations seeking to import American technology and know-how into their own societies.

Foreign agricultural specialists come to the United States. They take home with them hybrids, our fertility techniques, our pest management technology,

our planting and harvesting machinery--all the material things visible and easily seen in agriculture and food production.

But when they get these imported things home, they don't work there the same way they work in the United States. Why? Because they didn't import the main ingredient--the idea--the concept of a man out there on the land producing for a profit for himself and his family.

Take away the opportunity for a man to make a profit, and take away the hope and expectation that he can keep some of that profit for himself, and you have taken away the essential ingredient that makes U. S. agriculture the envy of the world.

This is a basic economic lesson which some people never seem to learn. Even in our own country.

We've just come through a period when, due to very heavy consumer pressures, we temporarily shelved producer incentives in food production, including meat. The results have been disastrous.

Price ceilings imposed on meat at the retail counter have been counter-productive, just as many of us knew they would, and so predicted at the time.

The temporary shortages that occurred were the direct and immediate result of very heavy demand both from American consumers and from around the world.

Freezing retail prices for food while production and processing costs continued to mount had the predictable effect. Producers and processors simply cut their losses and reduced or shut down their operations.

Baby chicks destroyed a few months ago mean less chicken on the market. Breeder flocks sold off mean one complete life cycle in the life of a chicken

before the industry can get back into full production.

Pregnant sows taken to market earlier this year, because the profit motive had been removed and pork producers no longer could find their incentive in the marketplace, mean fewer pork chops next winter.

Fortunately, in the case of beef, breeding herds were not liquidated during the freeze. For the most part, the animals stayed out there on pasture and range. Now, since the beef-price ceiling has been lifted, beef is starting to come to market, although many animals are heavier than would have been the case if cattle marketings had remained normal.

As this beef hits the market, and supply lines fill up again, consumers will respond by increasing their purchases of beef. They will buy all we slaughter.

Some scare talk developed while the price freeze was on. Some said eating habits changed during the period of scarcity and people are turning away from beef.

There's a little truth to this, but not much. When prices are very high, or when meat counters are empty, people do buy other foods. But red meat is a prestige food. People with more money to spend don't eat a lot more food, but they eat according to their degree of affluence. And beef remains the prestige meat.

Consumption of red meat per person in the first half of 1973 averaged about 7 pounds less than the 94 pounds per person consumed during the first half of 1972. In the last half of this year, the consumption probably will continue slightly below a year ago. However, we look for the upward trend to reestablish itself as we get back to a free market situation.

We anticipate that by 1985 beef consumption may

average 140 pounds per person, compared with about 116 pounds last year. Allowing for population increase, this means one third more beef in just 12 years!

The affluence of people all over the world will continue to make a strong market for U.S. food production. Employment is up. There are three million more jobs in America today than a year ago. The disposable personal income rose by \$18.9 billion during the second quarter of this year--nearly 11 percent higher than a year earlier.

Many in this country believe we should insulate U.S. consumers from foreign competition. We must not allow this to happen. Our consumers must bid for farm products along with other buyers around the world. Any move which signals to farmers that we want less food will be counterproductive.

Some of the foreign demand for U.S. products can be attributed to the large accumulation of U.S. dollars which we let flow out of the country during years when our imports were greater than our exports.

The only satisfactory economic answer to that kind of situation is to step up exports of American goods and earn more dollar credits abroad. Farm products are one of the few items we can trade in volume. They are, today, our best assurance that we can soon achieve a balance of payments.

Last year our agricultural exports increased by about \$5 billion.

Despite all the headlines and howls over the sale of grains to Russia, only about \$1 billion of the increase--less than one-fifth--was trade with the Soviet Union. The remaining increase came chiefly from our traditional trading partners in Japan and the European Community.

The competitive advantage of U.S. producers in wheat, feed grains, soybeans and some other agricultural commodities gives assurance of a continuing bright future for American agriculture.

No one knows if the present world-wide shortages of grains and oilseeds will continue to the same degree as last year. But it is clear that the strong demand for U. S. farm goods will continue through 1974 and 1975.

To meet that demand we are asking U. S. farmers to go all-out in their production of these commodities next year.

We have removed all production restraints for 1974, and expect that planted acreage next year will probably exceed the 1973 acreage by about 10 to 12 million acres.

Reports coming to Washington indicate farmers are enthusiastic about the opportunity to produce. In 1974, they will enjoy for the first time the benefits of target price protection. The Federal Government will share some of the risk of all-out production, without limiting either total production or the individual decisions of farmers as to what they wish to plant. This protection will help farmers in the event of unforeseen circumstances which might cause violent market distortions.

The target prices set for 1974 and 1975 are \$2.05 per bushel for wheat, \$1.38 per bushel for corn, and 38 cents per pound for cotton. These are well below current market prices. If prices continue strong, as we think they will, farm programs will not be costly to taxpayers. Direct payments to farmers will be made only if the market drops below the target prices.

Saving money is an important part of national fiscal policy. President Nixon has correctly said that the best way to hold down the cost of living is to hold down the cost of Government. Our new farm program will help win the battle against unnecessary Government spending.

We're winning that battle, too. We finished fiscal 1973 with total Federal outlays of \$246.6 billion, a figure well below the \$250 billion ceiling recommended

by the President. For fiscal 1974, President Nixon has proposed expenditures totaling about \$269 billion. To balance the budget we must hold expenditures below that level, despite higher prices. Phase IV controls are buying the time we need to moderate inflation. But a balanced budget and monetary restraints are the major weapons against rising prices and increased production costs in Government, in business, and for individuals.

Mrs. Housewife, shopping the supermarket for her family's food, doesn't care about the economics of food production. She doesn't understand the term. She wants to know why food costs so much.

Our challenge in the weeks immediately ahead is to help her find understanding through better communication, in language she understands. If we achieve this goal, she'll know profit is not a four letter word. She'll understand that you can't get more by bidding less. And when she understands, I'm convinced that Mrs. Homemaker will be a staunch supporter of the free enterprise system that lets her buy food cheaper than any homemaker in any other country of the world.

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FORESTRY, LAND USE AND ENVIRONMENTAL POLICY

I have gotten a great deal of attention recently on food prices, the wheat sale to Russia and so on.

I'd like to share with you some other thoughts which will probably be, to many, just as controversial. They involve you and are part of the great American agricultural picture.

First, I'd like to emphasize that I believe the Society of American Foresters and the whole forestry profession is closely linked to agriculture. Agriculture isn't just farming. It is also forestry and management of other natural resources. It is conservation of the highest order, and I think the Department of Agriculture ranks right at the top in conservation leadership.

Resource management has long been the No. 1 activity in the Forest Service, Soil Conservation Service, and Agricultural Stabilization and Conservation Service. They have foresters and other natural resources management experts. They are part of the Department of Agriculture because efficient and productive agriculture wouldn't be possible without them.

That's one reason I feel very much at home at your national convention tonight. To me, the Society of American Foresters is part of the agricultural partnership that makes ours the greatest nation in the world.

Now, to put the remainder of my remarks in context, let me describe briefly the Department of Agriculture's philosophy--perhaps policy would be a better word--of natural resources management.

Address by Secretary of Agriculture Earl L. Butz at the National Convention of Society of American Foresters, Portland, Oregon, Sept. 25, 1973, 8:30 p.m. PST.

We in the Department, reflecting what I think is the consensus of the nation, favor wise resource conservation. That glittering generality of "wise resource conservation," apparently means many things to many people.

To us, it means a common-sense, practical coupling of man's technology with the opportunities and constraints nature has given this nation.

We don't believe resources should be hoarded blindly for the sake of a word we call "conservation." In our society, we see resources as being available to use intelligently, efficiently and productively.

We recognize that wise resource conservation is not the profligate use of the raw materials God has given us. We must do our utmost to protect the environment on which we depend. We must provide every possible care for our soils, plant and animal life.

But we must also be honest and recognize that the only way we could provide the food, energy, housing, transportation and myriad other needs for our present 210 million people was to modify our environment. This modification will have to continue for the people of tomorrow's generations as well--or we won't have future generations very long.

In the Department of Agriculture, we firmly believe this modification can continue without--as some doomsayers prophesy--the world going to hell in a handbasket. This environment must be modified responsibly and intelligently, and certainly with more caution than we have used at times in the past. But I believe we possess the brains and resources to achieve the responsible balance between environmental actions and environmental protection. Sociological, economic and environmental interests can be compatible if reason and creative thinking are brought to bear to make them so. And our very existence as a civilization depends

on using all the research and technology we can to resolve the environmental problems, while allowing economic growth.

We can come to terms with nature--and still do it on nature's terms. Now, I'll try to show how this general policy is shaping decisions that have an impact on your profession of resources management.

One of our top-priority programs is to participate constructively in the national effort to improve land-use policy and planning. This is one necessary for a reasonable approach to the environment. We can't achieve environmental responsibility, balanced against the needs of a dynamic economy, without a rational land use policy.

Needless to say, foresters and other natural resources experts will be key cogs in the machinery of setting up and operating land-use plans. With interests in 750 million acres of forest land in the nation, your contribution will have to be a mighty significant one.

This brings me to a major element in the land-use planning picture--the role of some 300 million acres of non-industrial, private forest land. It appears to offer our only feasible hope for meeting future timber needs for housing, pulp and paper, and hundreds of other wood products. As you know the preliminary timber trends report by the Forest Service late last year predicted the demand for timber products by the end of this century will be nearly double. The survey conclusions are disquieting. Without tapping the potential of the non-industrial, private lands, it will be impossible to meet the doubling of timber demand.

We think we have the tool now to tap that potential. When the President signed the farm bill August 10, with its forestry incentives program rider, we think he opened a new era in the development of one of our most precious renewable resources. I want to compliment Ken Pomeroy and his "Trees for People" coalition for their leadership in mobilizing the forestry community in support of the incentives bill

They did their work. Now, we will do ours. The authorization of forestry incentives is there, and we hope to have funding soon. We will do our utmost to make it work. But it will succeed only if you who represent the forestry community, give it your active and wholehearted support. With that support, the program can be successful and of lasting benefit to our country.

We need to continue our efforts to improve production of goods and services from our federal lands, along with increasing production from the non-industrial private lands.

To do this job, the Forest Service needs more money and manpower. However, we must also consider total national priorities. If inflation is to be controlled and tax increases are to be avoided, the Federal budget must be restricted.

Unless we curtail Federal Government spending, the result will be pervasive inflation, a continuing escalation of costs and prices, higher taxes, and a sickened economy. Our citizens do not want more inflation. Recent polls show our citizenry considers the control of this problem as the No. 1 priority.

The President and his Cabinet do also.

So with the budget constraints in mind we are putting first things first in meeting both the production and environmental protection management needs for our federal lands.

Tied to the nation's economic wagon also is the export-import balance. We have to continue to export if we are to continue importing the foreign goods our country wants and needs. Agriculture and forestry have contributed mightily to this export component, reducing the serious payments deficit we have with other countries.

I want to see the export of farm products, logs and lumber continue at a high level because it is vital as a counter force to a trade deficit and a weakened dollar.

Just last week, the Commerce Department reported that our deficit in the balance of international payments had declined in the second quarter of this year to the lowest level in almost three years. Exports of agricultural and wood products were major contributors to that brightening situation.

Finally, on my theme of environmental-economic balance, let me say a word or two about the dangers of overreaction to possible risks when man makes modifications of nature for his own good.

A good case in point is the effort to control the tussock moth right here in the Northwest.

A couple of weeks ago, the Forest Service took me to the infested area--and I was shocked by the devastation. No one can tell me that either nature or man is better off for this insect epidemic.

The dying forests there are reminders that we were a little precipitous in banning the only effective control method before we had found effective substitutes. This is a classic case in which an emergency outraced the development of the substitute, leaving the forest completely unprotected in the interim.

The Tussock Moth Interagency Steering Committee, which revealed its findings on tests of alternative methods to DDT last week, hit the nail on the head with its proposals for the campaign against the moth.

I agree whole-heartedly that we must step up research and development of alternatives to persistent pesticides. But at the same time, contingency approval for use of DDT appears to be the only course to seek for this next year. Effective and safe substitutes will be found. But we may not have trees on which to use these substitutes if the epidemic isn't stopped.

I am ready to lend my full support to seeking approval from the Environmental Protection Agency for making DDT available in the event we need it. The incidence of virus and parasites, which will be determined this fall and winter, will tell us if the DDT application is necessary. We should be prepared if the need is obvious.

The dynamism and excitement of new discoveries and new methods that made this country great are far from lost. We are just entering a new phase of problem-solving that will improve the lot of all mankind. The awareness of risks to nature by our modifying actions will make us even better problem-solvers because we will be better prepared to achieve the optimum balance between the benefits and risks. Man is part of nature. And his discovery that they can work together in mutually beneficial harmony, with the aid of research and technology, is, in my mind, the brightest hope and challenge for present and future generations.

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Advance for Release at 6:30 P.M. EDT, Tuesday, Sept. 25, 1973

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Millions of people live and prosper in America under a free market system they do not understand.

Some of them are farmers. Some are business and professional men and women. All are consumers.

Ours is not a perfect system. But it is the best system yet devised for satisfying the economic needs of people. And the system works best when each individual and each group which makes up the system is able to place complete confidence in others.

Confidence is the major missing ingredient in today's business world. Some people no longer judge our economic system as a whole, made up of component parts. Instead, they seem to concentrate on the part with which they identify, and disregard, or distrust, or try to tear down much of the rest.

Some detractors sow seeds of distrust among farmers as regards their suppliers. Processors and retailers, themselves caught in a squeeze, sometimes worry about prices they have to pay for raw agricultural products and about prices they can charge to retail outlets. Consumers feel that they pay too much for food and fiber. Most of them really don't care who is to blame, as long as they get what they want for less money.

It's time we stop being divisive and start being constructive. We need to understand the proper roles played by other segments of our complex economy.

American agriculture has advanced more in the past 50 years than in all the prior years of our history. Yet agriculture is more than just living on a farm and producing crops. Agriculture combines farming and ranching with a progressive system of marketing, processing, distribution and merchandising.

The measurable results are abundant, wholesome food for consumers, delivered when, where, and in the forms they want it.

Yet people on the land don't do this by themselves. They couldn't. Agriculture today depends directly on the 8 to 10 million people who store, process and sell farm products, and on the two million people who provide the supplies that farmers use.

Farmers depend on people who make and sell tractors, farm machinery, and motor vehicles. They depend on people who deliver oil and gas and other fuels and lubricants to the farmstead. They depend on the chemical and fertilizer industries that provide plant food and insecticides and pesticides which are essential for abundant, high quality production.

Agriculture depends heavily on the transportation industry to move commodities from fields at harvesttime to mills and plants and factories where they are processed into food. Transportation carries farm products to the ports where they are loaded on ships and move into export channels of trade with destinations all over the world.

Agriculture relies on banks and other lending institutions for farm credit. Today's agriculture is a \$339 billion production plant. Its value has doubled in the past 20 years. The balance sheet is as much a tool of farming today as is the plow or the combine.

Yet just as surely as the production sector of agriculture depends on these other sectors, they, in turn, depend on producers.

Agriculture is an entity. It is not one group against another, even though that's the way some people would like to have it. Make no mistake about it. In today's agriculture, one group cannot survive without the others.

Fifty years ago farmers were far more self sufficient. They provided their own power with horses, and produced their own fuel with oats and other feed grown on the farm. They planted clover, and used manure from their farm animals, for fertilizer. Farming in those days did not require large amounts of capital.

Sometimes, today, we hear people longing for "the good old days" of, say, 50 years ago.

Believe me, those days are just a nostalgic memory--and an imperfect memory at that. I'm not sure what part of those good old days people want to go back to.

Do they want the good old days when we carried a kerosene lantern and didn't have to pay an electric bill?

Do they want the good old days when we knocked potato bugs off plants with a paddle into a dishpan and didn't have to buy insecticides to spray them?

Do they want the good old days of back-breaking, low-paying drudgery in the fields--picking cotton by hand rather than investing in a cotton picker?

Do they want the good old days of stoop labor required to plant and harvest tobacco, because we didn't have machinery to make the job easier?

I just wish people would say what they mean by the good old days.

Because if they mean plowing and cultivating with a one-horse or one-mule plow instead of the sophisticated, mechanized equipment we now use, I say, "NUTS!" I've done that. I've done it all I care to. And I sure don't want ever to return to that kind of "good ol' days" again. And thank goodness we don't have to.

The main reason we won't ever have to go back to those days is that we have developed an agribusiness that provides farmers with the wide variety of production inputs they need. We have an agribusiness that processes and markets farm commodities--doing better, faster and with greater expertise tasks that farmers

used to have to do for themselves.

This complex infrastructure not only has brought additional prosperity to individual farmers, it has broadened the prosperity of the entire rural community where farmers and farm families live and shop and go to school and support churches.

Farm prosperity is not confined to the producers and those who sell farm equipment and farm supplies. It is shared by the druggist, the clothing merchants, the hardware store, the car dealer, and all the other businessmen in town.

Last year, farmers' net income totaled \$19.7 billion. This year it will reach \$24 billion. Businessmen and merchants on Main Street, America, will share in this prosperity. Perhaps even more meaningful is the more than \$86 billion of gross income from all sources which farmers have to spend. Much of this amount is spent directly with local agribusiness firms.

One of the new voices in our daily life is consumerism. The American people--indeed, people in most countries around the globe--are more affluent than they've ever been in history. U. S. wages are up. Average hourly wages in industry climbed from \$1.52 per hour in 1952 to \$3.65 per hour in 1972. In addition, there are three million more jobs in America now than there were a year ago. Much of this increased affluence finds expression in preferences for certain foods.

During recent months we've seen what happens when consumer dollars compete for limited supplies of desired food commodities--particularly meat.

Consumer dollars pushed food prices higher than many consumers wanted to pay. Some consumers boycotted meat at the food store. Some self-styled consumer

advocates even put forward the preposterous claim that farmers were deliberately pushing up food prices, ignoring completely the fundamental economics of the marketplace.

It is true that many producers--including some broiler and hog producers in North Carolina--refused to raise their products if they could not recover their cost of production and make a little money besides. Pressure on one side from farmers insisting on a reasonable profit, and pressure from the other side from consumers to lower retail prices put agribusiness--processors and retailers--squarely in the middle.

The really sad part of this kind of situation is that no reasonable and satisfactory solution is possible so long as any one of the groups involved refuses to face the economic facts.

As long as any one of the three groups believes it's immoral for either of the other two to make a profit, our free market system is in danger. Such people just don't understand the American system.

Farmers who produce raw agricultural commodities are certainly entitled to earn a profit on their heavy investments in land, machinery, seed, fertilizer, fuel, insecticides, transportation, storage, capital and other inputs required to grow the nation's food and fiber.

Processors, farm suppliers, people who provide the supplies and services needed to move agricultural products from farm to retail store are certainly entitled to a reasonable profit.

Some consumers don't realize that a hog being finished on a North Carolina farm actually has no value until he's an attractive pork chop on display in a Raleigh meat counter. A bushel of soybeans--now an important crop in North Carolina--has no real value until it becomes a bag of soybean meal and is used to put quality protein meat on a broiler for a Philadelphia store.

Tobacco grown on a North Carolina farm has no value until it has gone through a long series of processing and is ready for the smoker or other user. For at least half of the crop there is no value until it is shipped abroad where users wait to buy it.

All of this in-between sector must continue to function efficiently or else consumers will not find the quantity and quality of food they want to buy. Nor will it be cut, wrapped and packaged to their specification.

Taken together, the agricultural plant in the United States is far and away the world's most efficient food and fiber machine. It's a source of employment and income for 20 percent of the American people. It's a major source of tax revenues for the nation. It's a very important source of foreign exchange, and a major factor in allowing us to enjoy the products we import from other countries at reasonable prices--such items as coffee and bananas, tea and spices, and a growing share of our petroleum supplies which must be augmented if we are to meet the greatly accelerated energy requirements of the nation.

Certainly not the least important reason we should understand and support the entity that is agriculture is the significant role that agricultural commodities are playing in our quest for lasting world peace. We have substituted bushels for bullets in our national display of strength with the leaders of other nations. Agriculture has become a fundamental building stone in the structure of peace that President Nixon is erecting. The total agribusiness complex can be justifiably proud of this historic achievement.

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RESURGENCE OF THE FARM MARKET

The upsurge in farm income during the past two years has been the most positive phenomenon in decades for American agriculture.

For many years, farm income was too low in comparison with other Americans--and especially considering the investment demanded, the know-how required, the risk involved, and the hard work that is so much a part of farming. While farmers still have a way to go to catch up income-wise with their city cousins, farmers are finally experiencing a taste of America's prosperity--and I say it is about time.

While farmers were suffering on the lower rungs of the economic totem pole, all of rural America was affected. Rural communities were literally degenerating. Rural businesses were in a decline. Employment and social opportunities just were not there for people--so the population was leaving. It is clear today that this recent infusion of added farm income into rural America is the best thing we have had in Rural Development in many years.

Farm equipment companies have had some lean years. Understandably, you were shifting your product lines substantially from farm equipment to industrial equipment. Some of your member companies may have felt that the farm equipment market was dead. For the farm equipment industry in particular, we are now experiencing a real resurgence of the farm market.

In the last year and a half, we have learned not to take American agriculture for granted anymore.

We appreciate more each day the great market for food which exists here at home and abroad. Our determined decision to pursue that market and to produce for it is the basis for agriculture's resurgence.

Address by Secretary of Agriculture Earl L. Butz before the 80th Annual Convention of the Farm and Industrial Equipment Institute, Atlanta, Georgia, October 9, 1973, 11:00 a.m., E.D.T.

For the first time in recent memory, we have unshackled American agriculture. We are pulling idle acres back into production. We pulled 40 million back into production this year, and we are pulling the remaining 19 million idle acres back next year.

The push, obviously, is on for maximum production. That will require added production inputs. For many farmers, it has become necessary or economically wise to purchase new equipment.

I do not have to enumerate to you exactly what that means to the farm equipment industry. You have been running shifts around the clock--and you are putting more men on your existing shifts. That has placed pressure on your personnel people. It is no simple task to prepare a good man for a station on the line. Furthermore, your manpower needs for new people, for overtime, and for added shifts have strengthened the hand of labor spokesmen in the very critical contract negotiations which have been taking place and continue in 1973.

Your capacity operation places great demands on specialized parts vendors. It is difficult to prevent the time lag which occurs as a small parts producer gears up to keep pace with a large manufacturer's expanding needs.

It has been no simple matter to obtain the added steel necessary for your expanded output--nor the rubber, energy, and other products which your manufacturing systems require.

The local machinery dealer is feeling the effects of the farm market's recent resurgence more than anyone else in the farm equipment industry.

Many local dealers complain that they can't get products--tractors, planting equipment, and harvesters. In fact, however, many dealers are receiving much more equipment than they have been accustomed to getting. Yet, they complain because they cannot meet the demand from farmers.

It is not unusual for a farmer now to have to wait until late next spring to receive a new tractor. In fact, some expect to have to wait until next fall. Combines are now being ordered for delivery next summer. That is as soon as many--not all, of course--can be manufactured and delivered. There is generally a 6-month delay in getting most other farm equipment.

There is no particular bottleneck. It is just a fact that time is required to physically produce the machinery needed to meet the great upsurge in demand which has come about.

Such demand on the part of farmers for added equipment might be hard to understand under ordinary circumstances. Here is an example. A farmer orders a new tractor--but he already has one sitting in the yard which is in pretty good shape. If you try to pin him down on why he needs another, he will get quite specific. He will say--"I want one standing by in case there is a breakdown." In fact, he now has so much capital invested, and he has himself so exposed financially, that he just cannot afford the risk of downtime. A new tractor is the insurance policy he needs.

It is understandable then why so many farmers say--"If I could just get another combine ... if I could just get another tractor ... if I could just get another plow"

You are turning out those combines, tractors, and plows faster than ever before. This is concrete evidence of an agriculture on the move--an agriculture that is determined to move into the latter part of the 20th Century with all of the sophistication and the efficiency and the increased output per worker of which our farmers are capable.

United States farmers will be able to achieve such progress as long as the market system is allowed to function. Furthermore, farmers must have the support of a Nation of people who recognize that, if we are going to eat well 10 or 20 years ahead, we are going to have to pay enough for that food to make it profitable for good farmers to employ the kind of sophisticated equipment that they are now in fact using.

Farming has experienced an economic turnaround. Rural America is being revitalized. We are learning as a society that there is wisdom in the free market. As the farm market experiences a resurgence in this setting, the farm equipment industry faces a number of responsibilities.

First, you must keep on the cutting edge of new developments in farm technology.

Neither farmers, nor the farm equipment industry, nor anyone else will benefit from continued production of obsolete machinery. Don't push it if it's obsolete--even if it is sitting in your showroom.

While farmer demand guides what you choose to manufacture, the responsibility is on your shoulders to manufacture and merchandise machinery which will enable farmers to use the best technology we have. To shirk this responsibility is a disservice to your customers.

Second, you must counsel farmers on the best and correct use of equipment that fits in^t system of farming.

Don't buy a farmer unwisely with a particular piece of equipment unless it fits--economically and otherwise--into his system. Farming has become computer-precisioned. It is a finely-tuned business. It is hard enough to keep a system operating smoothly when the parts fit--let alone when they do not.

Farmers expect wise counsel from their dealers--and agriculture demands nothing less.

Third, you must keep your costs down and supply farmers as economically as possible.

The modern farmer is a sharp buyer. You know that. He has become pretty sophisticated. He uses a sharp pencil. You must be pretty good to meet his demands because he knows pretty well what he needs before you ever contact him.

From here on, when you deal with a farmer, you will be dealing with a complex, cost-conscious, business-wise manager. It is up to you to be prepared.

Four, you must work very closely with university research people and the Extension personnel who serve farmers.

If you supplement your research and engineering efforts with the most up-to-date findings of our universities, together you can avoid many errors which might otherwise be made for farmers who invest upwards of \$50,000 to \$100,000.

You do a fantastic job in your own research and in monitoring the latest developments in agriculture. You cannot afford to be out of step--and farmers, who make such sizeable investments through purchases from you, cannot afford to do so without assurance that you are on top of the very latest developments.

The challenge ahead is great indeed--for farmers and all of agriculture. It is critical, however, for an industry like yours which is so vitally important to the great production plant of American agriculture.

As far as we can see down the pike, the demand for farm production will be strong. That not only means we will eventually have to produce on our available acres. It also means we must seek top production on each of those acres.

That means saving everything that we produce. It will require cutting losses at harvest. It will mean cutting storage losses. It will mean stopping excessive transportation losses. None of these will be possible without constant improvement in farm machinery.

It will also mean increasing the efficiency with which we convert our basic feedstuffs into meat and milk and eggs. This is increasingly a matter of the proper equipment systems.

The resurgence of the farm market clearly has signaled a new challenge and an injection of vitality for the farm equipment industry. Without your help, our farmers would not be the world's best today. Your continued search for excellence will be necessary if farmers are to meet the challenge ahead.

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BOUNCING BACK TO GREATNESS

This is a great nation. It is great for many reasons. Important among them is the capacity to learn from our mistakes. In the last decade, we have learned two critical lessons: First, that we cannot operate effective government with centralized decision-making; and second, that we cannot run an incentive economy out of Washington.

We learned the first lesson somewhat sooner than the second. We should have though. We watched centralized decision-making creep upon us over a lengthy period of time. It reached gigantic proportions in the early and mid 1960's as we saw developing among our people a growing tendency to let our problems and our woes be solved and soothed by Washington bureaucrats.

Perhaps such mistaken direction was inevitable. Many problems plaguing society had long gone unresolved. Times were indeed ripe for change.

State and local governments had become increasingly burdened with old and lingering problems--not the least of which was a revenue crunch. Thus, there was little effective objection to promises that the Federal Government could take care of things. In fact, many a local politician breathed a sigh of relief.

There grew up in the land support for the notion that the Federal Government cared about the people more and could serve the people better than State and local agencies.

All the while we were creating new government agencies, hiring more bureaucrats, increasing appropriations, creating additional complicated forms, and weaving a cumbersome pattern of red tape.

Address by Secretary of Agriculture Earl L. Butz before the National Newspaper Association Convention, Hot Springs, Arkansas, October 12, 1973, 11:00 a.m., C.D.T.

By the late 1960's, however, it became clear that our new dependence on big government was yielding serious repercussions. Personal motivation was being sapped by Government promises. We experienced a startling erosion of our sense of public safety, and we perceived a sharp rise in lawlessness. Our campuses were riot-shaken. Society moved toward polarization. Suddenly it seemed that our once solidly-constructed Nation was coming unstuck.

When the Federal Government failed to deliver on all of its grand promises, people discovered they had let some of their own spirit of self-determination go rusty. Widespread disillusionment and disgust with centralized government decision-making resulted.

This shift in public sentiment was the genesis of the Nixon Administration's New Federalism which seeks to move governmental decision-making as close to the people as possible. The progress the New Federalism is making is the evidence of our ability to do something to correct our mistaken over-centralization of government power.

The New Federalism is already succeeding. Revenue Sharing is becoming an accomplished fact. The General Revenue Sharing Program is in place, and a considerable number of Special Revenue Sharing recommendations are being implemented. Others are still receiving careful consideration.

This Administration is also decentralizing the operation of government-- and making recommendations to the Congress to move back to the States and counties and other units of local government certain responsibilities that for years tended to move to Washington. Some of these proposals have shaken the bureaucracy, and they have disappointed the advocates of big government. The vast majority of the American people, however, support them.

Rural Development is a prime example of the New Federalism in operation. Rural Development, by that name or by some other handle, has been talked about--and even experimented with--for many years.

Our recent efforts in Rural Development, however, began with an important premise. Rural Development cannot, and therefore will not, be accomplished from Washington. It must be accomplished in a decentralized fashion by the people who live and work in rural communities, the people for whom Rural Development is a real objective, the people who really understand the local situation, the people who have something at stake in it, and the people who will ultimately benefit from any progress which might be made in Rural Development.

We are making solid progress in Rural Development because we are not developing rural America. We are instead assisting those people who have a stake in rural America to accomplish the task themselves.

The New Federalism is indeed a tribute to what we have learned on the political front. Now let's turn to our second great lesson--that we cannot run an incentive economy out of Washington.

Ours is an incentive economy. That is the way it has grown. That is the basis upon which it has been structured. Incentive is the fuel that keeps it burning. The private sector of the economy is the wellspring of initiative, of innovation, of production, and of well-being.

During the past two years however, and during the past few months in particular, our incentive system has been sorely tested. Government has tampered with the workings of the economy. Government tried, temporarily, to remove incentive from the driver's seat in the economy. Consumer pressures--so easily translated into political pressures--took over the wheel.

We experimented with government-administered prices. The Congress even threatened to force price rollbacks. We went through a disastrous period of retail price ceilings--and lengthier meat price controls. Certain segments of the economy continue to suffer serious distortions because of the controls. The results of all of this have not been satisfactory.

The important thing at this juncture is not to lay blame or to say I told you so--but to realize that our experiences taught us a valuable lesson as a nation. Our abdication of the incentive system--and our opting instead for government management of the economy--was clearly counterproductive.

Pork and poultry price ceilings last summer prevented grocers from paying more to processors--nor could processors pay higher prices to producers. Yet, production costs increased--in some cases exceeding what the products could be sold for. With even a dull pencil farmers quickly calculated their losses. There was no incentive to produce.

What happened? Poultry breeding flocks were liquidated. The result is fewer broilers and eggs now and in the next few months. Now that controls have been lifted, egg and poultry prices are much higher than they would have been if we had allowed the pricing mechanism to work. Heavy gilts and piggy sows were also slaughtered. The result is less pork now and this winter than would otherwise have been the case--and higher prices.

The extension of price controls on beef beyond the time when all other food price controls were relaxed is another example. The idea was to spread out the release of accumulated price pressures.

Cattlemen, however, gambled that it would pay to hold cattle until after the ceilings were lifted. That drastically reduced beef supplies. Some housewives purchased extra meat to stack away in the freezer. In turn, demand for poultry and pork multiplied, pushing those prices even higher. So extending beef price ceilings was doubly counterproductive--beef supplies dwindled, and other meat and protein food prices climbed higher than they would have otherwise.

Under this experiment with controlled prices, we have bid for less--and then we wondered why farmers did not respond by producing more. The incentive system just does not work that way. We have learned that the hard way--politicians, bureaucrats, the press, and consumers all can see it now.

I hope that we can quickly translate what we have so painfully learned about food production into wisdom throughout the economy. The fertilizer industry is one particularly significant problem area.

Price controls still remain on domestic fertilizer sales. Worldwide demand for fertilizer has increased sharply, and we need increased fertilizer for all-out food production next year.

Under controls, domestic fertilizer prices are frozen. Yet, price is the incentive necessary for our farmers to bid fertilizer away from competitors, to encourage fertilizer producers to operate plants at capacity and to stimulate the development of new plants, and to bid the increasingly short supplies of fertilizer sources (such as natural gas) away from competing users.

Those who favor fertilizer controls believe they will help hold down food prices. They certainly will not if, as may well happen, adequate fertilizer is not available for American farmers. This lesson is beginning to become clear.

The 1973 Farm Act is proof of what we have learned. The direction of the new farm program is to decentralize farm program administration and farm decision-making. This is consistent both with the New Federalism and our growing evidence that economic controls are unwise.

The new Farm Act reaches farther toward moving Government off the farms and keeping farmers on the farms. It moves economic decision-making back to the people, back to farmers, and out of bureaucratic conference rooms.

This Act is evidence of the growing conviction that no small handful of experts in Washington, no matter how bright and experienced, can make wisely farm production decisions for every farmer in this nation.

It gives farmers more freedom than they have had in recent memory to decide what to plant on which acres--with the incentive of market prices to guide that production. That is the only possible way we can achieve the increased production which is so very important to us.

Our experience with price controls and our lengthy history of heavy-handed government involvement in farming has taught us that no miracle of government action can provide food for consumers. Only the incentive of profit for farmers will put food in the supermarkets and on our tables.

We cannot insulate consumers from the forces of the world market. We cannot simply tamper with the pricing mechanism to hold prices down and still have food to eat. We cannot turn our farm production plant on and off by government edict.

The lessons we have learned and are still learning are significant turning points in American history.

We have learned that decentralization as exemplified by the New Federalism is right--and we now are pursuing that end.

We have finally learned that the philosophy of the private sector being supreme over the public sector is right. So we are working out of controls and, though the road will not be easy, we are also on the road to ridding the system of the root causes of its distress.

If we do not veer again from the wisdom of the lessons we have so painfully learned, we shall continue this nation's proud march of greatness.

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WE'RE ON THE UPBEAT NOW

In something less than two years' time, the entire food industry of this nation has been propelled into public prominence. Farmers, their suppliers, processors, handlers, retailers--all have borne some burden of public pessimism as American society has ceased taking for granted the most nutritious and abundant food supply in the history of the world.

We needn't discuss all we have been through--transportation tieups, rotten weather, politics, controls, boycotts, shortages, embargoes. It is completely understandable why so many in the food industry may have looked a little "down in the mouth" on occasion. However else this character-building experience may be described from time to time, it has been somewhat of a downbeat period for the entire industry.

Fortunately, that surface situation is changing, as it has been basically all along. You can sense it on the street, in the news, and at the store. A record-breaking harvest is coming in. The optimism of a golden Fall is in the air. Not every problem has been solved--but we are on the upbeat.

We have completed an historic turnaround in American farm policy.

After 40 years of downbeat farm policy, we have finally eased the heavy hand of Government from behind the maestro's stand. The marketplace has taken the baton--and signaled the upbeat for American agriculture.

After 40 years of employing nearly every scheme imaginable to restrain farmers, we are reaching for all-out production to serve both the growing domestic food industry and the substantial and expanding foreign market for food.

Address by Secretary of Agriculture Earl L. Butz before the Annual Meeting of the National Association of Food Chains, Washington Hilton Hotel, Washington, D. C., October 17, 1973, 11:30 a.m., EDT.

Nearly 26 million acres were put back into production this year. Production is up. Large crops of wheat, feed grains, and soybeans are coming out of the fields. Last Friday's Crop Report indicates that all three major crops will set records.

Next year--with no acreage set-aside or restrictions on major crops whatsoever--farmers are expected to bring as many as 12 million additional acres back into crop production.

We are cashing in the bankrupt philosophy of created scarcity and Federal checks in the form of per unit payments, commodity loans, and price supports to ensure farmers a "passable" income.

Instead, we are taking an upbeat approach. We are expanding markets and farmers are producing for them. We are enabling farmers to produce at full capacity--increasing their volume and their efficiency.

This approach makes it possible for farmers to earn a vastly improved income in the marketplace. We will continue pushing this upbeat approach until farmers are earning as much as are other Americans.

The Agriculture Act of 1973, enacted by the Congress and signed into law by the President this past August, makes a 180 degree turn in philosophy. It restores to farmers the decision-making role on their farms. Next year there will be no Governmental dictation regarding which acres to plant to what crops. It lets the market guide production decisions. It frees farmers to adjust their operations in order to produce for the best markets. It gives farmers encouragement and the upbeat confidence necessary to go after that all-out production we are seeking.

The American economy projects growing consumer demand.

The American economy continues to expand--with somewhat less frantic but still satisfactory growth expected in the year ahead.

The stability of the economy is improving. It is an economy in which you can plan with increased confidence. Despite the critical situation in the Middle East, this nation has a broader basis for peace and is freer of hostile relations with nations throughout the world than at any other time in recent history.

The sizzling rate of inflation shows signs of cooling. In fact, this nation's rate of inflation has been remarkably low compared with the inflation-dominated world economy. Our international balance of payments has taken a sharp turn for the better--and a positive balance is now in sight. The dollar is strengthening in the international money markets.

Employment continues to increase--and the unemployment rate continues to hold its own despite the often forgotten facts that thousands of our servicemen have returned to the work force and that we have shifted to a peace economy. Real incomes in this country--the dollars people have to spend after adjustments are made for taxes and inflation--are the greatest on record and still rising.

More people are working--and they are putting more spendable income in their pockets. That means more families have more buying power. As a result of the rising purchasing power among our people--there is an outward, upbeat thrust of growing affluence which results from a healthy economy.

Sure we still have problems, and many are struggling. But the upbeat nature of our economy is signaling that things are getting much, much better.

Improved purchasing power will extend to consumer food demand.

Concern has been expressed over whether there has been, in fact, a permanent downturn in consumer appetites for good foods as a result of recent boycotts, temporary shortages, and general consumer irritation over food prices.

I believe that any shift in usual food buying patterns in recent months was strictly temporary. Some consumers may continue to say, "We are off beef!" Yet, the public is not off beef. Somebody is eating the beef which you merchandise that is once again coming through the marketing channels in record quantities.

Consumers are eating beef at a slightly lower price now--but that does not signal a change in consumer tastes and demand. When you consider the tremendous surge we have just had in beef supplies compared with four weeks ago, the price reaction is not at all surprising. All the facts we have show that beef supplies will soon even out.

The American people will continue to eat well. We just do not change our eating habits that abruptly. We may go on a two or three week binge and during that time alter measurably what we do or do not eat. But we come back and renew that earlier eating habit--especially if it is a sound one.

That is precisely what happened after the meat boycott last spring. It is happening again now.

We will not necessarily eat more beef right away. That much beef just is not there. We will bid more for the beef that is available. That bidding will signal our farmers and ranchers that consumers want more beef--and the result will be that increased beef supplies will be forthcoming.

The food industry will always be subject to close scrutiny--after all it is man's most important industry.

You are in the spotlight now. Recent declines in live cattle prices--and other meat animals too--have focused attention on retail price spreads for meat.

Carcass-to-retail beef price spreads averaged 44.3 cents per retail pound in September--up from 33.8 cents in July and above the 37.3 cents of August 1972. Those spreads climbed steadily each week in September following the lifting of the beef price ceilings--from 38.7 cents to 47.0 cents to 54.1 cents. Farm-to-carcass spreads were up too--above both the July figure and the August 1972 level.

Looking at pork spreads, wholesale-to-retail pork price spreads averaged 31.7 cents per retail pound in September--two and one-half times the 12.1 cent spread in July and above the almost 19 cent figure for August of both 1973 and 1972.

I am keenly aware that this is no simple matter. The food chains, for the most part at least, did a magnificent job keeping as much meat as possible on the shelves during the price ceilings earlier this year, and during the extended beef controls this summer.

During some of that period, you reduced your price spreads in order to be able to provide beef for your customers. I realize that you may be doing all you can to pass on to your customers as much price relief as possible--but that right now you are frankly playing "catch up" to balance out those very slim--or perhaps negative--margins of last summer.

Yet, both consumers and farmers expect every cent's drop in on-the-hoof livestock prices to be reflected as quickly as possible in reductions in the meat prices at the supermarket. During all the flack that was raised while farm prices were increasing, farmers and ranchers could not forget that, unlike most other prices, farm prices also can and do come down.

Farmers took the heat while livestock and meat prices were rising. Livestock prices are now going down. Some livestock farmers may not fare too well as a result--some, for instance, who may have purchased feeder calves at high, peak prices.

They seek no sympathy. Yet, they at least deserve some assurance that consumers will benefit generously from these increased supplies and decreased prices--so that neither farmers nor chain stores will again be forced to suffer the imposition of further price controls or boycotts.

Consumers learned during the past year that no segment of the food industry was getting rich at consumers' expense. Now they need to see with their own eyes, as the market works and as livestock prices recede, that consumers will in turn see a proportionate lowering of meat prices they pay at the supermarket.

The food industry faces great opportunity and challenge.

The Department of Agriculture predicts that, by 1985, the average American will be eating 140 pounds of beef each year--compared with 116 pounds now.

Combining that beef consumption increase of 24 pounds per person with the projected population growth for that same period means that fully one third more beef will be needed to feed the American people just 12 years hence.

Rather than fret over some short term aberration in beef purchases, it is vitally important that we recognize the gigantic task ahead in meeting projected demand. It is extremely important to realize that, in order to get that huge increase in production from our agricultural plant in such a short span, we must pay for it. There is no other way to get that kind of production. Consumers must realize that when they pay for it, the beef production will be there.

The projected population increase and the rising affluence expected to parallel it will benefit the entire food industry, not beef alone. We will also need more poultry and eggs. We will need more pork. We will need more milk and cheese.

We will need more frozen fruits and vegetables, more fresh fruits and vegetables, more of the staple diet items--more of everything.

The food business is one of the real growth industries in America. That growth stems from more than the sheer increase in the number of bodies. It also results from the increased purchasing power which reflects itself in an increasingly sophisticated demand for better foods, for more services with that food, and for continuous upgrading of the diet as evidenced by that projected increase in annual beef consumption.

There are cheaper ways to eat. There are simpler ways to eat. Yet, as our level of affluence increases, we will constantly seek to eat better. We will want added services with the food we buy--whatever it is--and we will want better-tasting, fresher, more nutritious food too.

At the same time, we can expect foreign demand to remain strong for food grains and for the basic feed-stuffs out of which high-protein food is produced--wheat, feed grains, and soybeans. Demand from abroad for our processed foods will grow as well.

Environmental constraints in densely populated countries such as Japan will make very difficult--if not impossible--expansion of Japan's livestock feeding industry. Japan will therefore increasingly become a primary importer of finished foods.

The United States will fit right into that scheme of things exemplified by Japan. Freight rates will require us to export processed fruits and vegetables to eliminate the bulk and reduce the cost of transportation. Similar economic factors will mold our entire food trading and marketing patterns.

This is all a part of the upbeat tempo of the food industry. It means increased opportunity to serve a growing America. It means increased volume. It means increased opportunity for employment. It means an expanded need for research to enable the industry to keep pace with rapidly changing consumer tastes.

I want to commend your leadership--and the entire food industry--on the formation of the Food Processing Institute, your industry's first centralized educational and training organization. This step is noteworthy indication of the food industry's dedication to maintaining the highest nationwide standards of food processing and handling in line with the latest technological and scientific developments and regulatory requirements.

This upbeat track of the food industry will become increasingly competitive.

No segment of the food industry can ignore the challenges ahead. Those who do not keep up with the march of progress in merchandising methods--in selling quality products, in rendering needed services efficiently, and in charging fairly for those services--will be left by the wayside. They will become mere statistics in the food industry--nothing more.

I am aware that you are very deliberately preparing for the competitive, upbeat period that lies ahead. I am fascinated with the rapidly changing technology and the improving efficiency within the food industry.

You have pointed with pride to the progress you are making in centralized meat cutting--and rightfully so. That should cut costs--and vastly improve service to your customers. The increased efficiency--and better inventory control methods--which will result from progress being made with automatic warehousing techniques is also a credit to your industry.

This new electronic front end which is on exhibit here--despite its awesome title--will revolutionize what is already the most modern food retailing system in the world. You will benefit from it--in terms of decreased labor and space costs. Consumers will benefit too. Check-out lines should be shorter and can move faster. There will be less overhead expense to spread over all food items. It will also be next to impossible for check-out mistakes to occur.

The food industry is on the upbeat now. Farmers feel it. Food processors feel it. Every one of your retail managers should feel it too. As long as we all have what it takes to accept the challenges which a growing economy signals and to keep competitive, yours will remain an upbeat and opportunity-laden industry.

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THE LIMITS WE FACE

The new farm legislation, passed by the Congress this year, becomes effective next year. It sets our national farm policy for the next four years.

It's a good law. It represents a realistic compromise between the Congress and the Administration on a number of important economic issues. It falls short of standards set by President Nixon for reforming farm legislation, but it does provide a constructive framework for encouraging the expansion of farm production.

That's what I want to discuss with you today--the expansion of farm production.

The demand for U.S. farm commodities continues strong both at home and abroad. Rising affluence around the world, coupled with devaluation of the dollar, makes our farm goods more attractive and attainable to importing nations than they've ever been before. As a result we have a tight supply-demand situation both here and overseas, and the conditions are right for a market-oriented agriculture to produce all-out to meet that demand.

The new farm law sets up a new system of price guarantees that allows the Government to share some of the production risk with farmers without impeding their individual farming decisions. Target prices are established for wheat, feed grains and cotton. The support price for manufacturing milk will be set between 80 and 90 percent of parity through March 31, 1975. This means that in this current period of unprecedented demand for farm production, farmers can expand production with less fear of a serious drop in farm income.

I think it's significant that farmers' realized net income this year will be about \$24 billion, up from \$19.7 billion last year, which also was a record. The 1969-72 average of \$17.1 billion of realized net farm income compares with

\$13.3 billion average for the 10 years before that, or an increase of 29 percent. Market orientation has been the key to this progress.

As farmers across the nation put pencil to paper and make plans for sharing in the new production opportunities, they will be looking to co-operatives, and to USDA, for data and facts on which to base their individual decisions. In providing assistance to producers we must be as factual as possible, and while it is my belief that we should be optimistic, nevertheless there are some practical limits to production that farmers should know about before they make their final determinations. There are some limits of which the public should be aware. Let's look at a few.

1. The number of acres available for additional production is a physical limitation. Removing legal restrictions to planting does not automatically mean that every acre will be cropped. Sometimes expansion requires sizeable additional investments in equipment, hiring of additional labor, or other production inputs not immediately available. Add to this the inborn reluctance of many farmers to jump into a new situation, and it is unlikely that every available acre will be immediately planted.

The additional acres available for 1974 production include 16.8 million acres of 1973 set-aside, plus about 19 million acres freed up for 1973 production but not utilized. Also, there are about half a million more acres of long-term cropland adjustment program land in conservation uses that may be released from contract and could go into crops next year.

Based on these figures, it appears reasonable to expect about 10 to 12 million more acres in major crops in 1974. Not all these acres would go into wheat, feed grains, soybeans or cotton, however. They represent what could be planted to all of the major crops in the United States and total roughly 343 million acres.

Of this, we see about 66 million acres of wheat, compared to 59 million in 1973 and 52 million in 1972. For corn we think the 1974 acreage will be about 75-1/2 million acres, same as for 1973, compared with 67 million in 1972. Soybean acreage for 1974 is now projected to be 54 million acres, compared with 57 million acres this year and 47 million in 1972. We think 20 million acres of grain sorghum will be planted in 1974, a million acres over 1973, and nearly 3 million over 1972. Cotton plantings at 14 million acres would be up a million from 1973, and about the same as 1972.

Not all the land pulled back into production this year was top quality producing land. We can expect that, as additional acres are brought into production, yields will drop, more fertilizer will be required, and in some cases supplemental irrigation also will be needed.

2. We must include as a limitation those acres which were put into grass and trees to tie down the land and keep it from blowing. In our enthusiasm for new-found marketing opportunities, we must not risk creating another dust bowl. At the same time, we need not be bound completely by decisions of the cult of conservation that has sprung up during the past 30 or 40 years which would prevent tilling any land on which grass now grows.

In this controversy there is room for a trade-off. It should be based on local conditions, and that's where you come in. The advice of local leaders recognizes local needs and conditions better than advice from Washington.

3. Another limitation we face is the amount of water available to bring new land into production. Livestock producers and dairymen have learned not to push too many cows onto limited pasture. They know that when they have enough animal units to use all the grass for which there is available water, they must stop. This is a practical limit on livestock or dairy production.

The same kind of limit exists with grain. We push corn as far west from the corn belt as water is available, and then we yield to grain sorghum. So water is a limiting factor.

Irrigation alters the limit to a degree, but irrigation takes a lot of capital. In many places the water table is receding faster than the rate of recharge. State and local governments are greatly disturbed over the rate of use; many have imposed some legal limits on the rates of withdrawal. In some communities competition between water for people and water for crops is acute. Where the costs of reclamation run too high, there is a very real question if society is justified in using tax dollars to provide water for agricultural production. It may be in the national interest to find needed additional production more cheaply somewhere else.

4. The infrastructure of agriculture has some built-in limits on production. A chief reason American agriculture is able to produce high quality food and fiber in such great quantity is because of the high degree of mechanization on farms. The availability of machinery, parts, fuel and other services and supplies from off the farm are major contributing factors to increased production. The extent to which these off-farm goods and services are available will partly determine the amount of increased production we may expect.

5. Cost is a limiting factor. For example, not only is fertilizer costly, but you don't get an equal response from every additional application of fertilizer. After the first 300 or 500 units--or whatever the recommended application may be--additional increments of fertilizer do not produce the same amount of increase. This is a limiting factor directly related to the farmer's net profit.

6. Environmental constraints may become a severely limiting factor. The use of agricultural chemicals is a case in point--and one of growing concern. Environmentalists keep pressuring agriculture not to use chemicals which they believe are injurious to humans or to animals. Frustrated farmers devote far too much of their time defending the legitimate use of insecticides, herbicides, and antibiotics.

Public health and safety is a proper concern of society and government. But legislation, such as the Delaney amendment, sometimes gets on the statute books and stays there beyond the time when its strict enforcement serves the public interest. This particular amendment, for example, establishes a zero tolerance for certain chemical substances. When the law was enacted, our lawmakers did not anticipate that scientists would develop measuring equipment so sophisticated it would be able to detect parts-per-trillion or even smaller. This precise measurement makes a zero tolerance ridiculous. But as long as the Delaney amendment is the law of the land, we must live with it.

Limitation on predator control poses a problem. The coyote population in the Western States is seriously cutting down our lamb crop and is beginning to imperil our calf crop. A friend told me recently he had seen only one fawn this past spring--in an area where normally the deer population is quite heavy. It is an interesting commentary that the disappearance of deer due to coyotes may do more to stir public reaction in favor of relaxing predator controls than anything agriculture is able to do or say.

The public often overlooks the fact that farmers and farm people are environmentalists. Farmers live close to nature. They are custodians and stewards of the soil, water, timberland and other renewable natural resources for all the rest of us. They are sensible conservationists, who also believe that our resources are to be used, but used intelligently.

You and I are challenged to help the public understand that farmers must have the tools if they are to do the production job we are asking of them--growing more and better food for our dinner table. This includes the wise use of agricultural chemicals and antibiotics.

7. The availability of fuel is a limitation. This year, to plant and harvest the 1973 crops, farmers are using 300,000 barrels of gasoline more than they did in 1972. Increased production for 1974 means they will need additional gas and oil. During the 1973 wheat harvest it was touch and go for a while whether we would have enough fuel in some of the Plains States. We did--and a big share of the credit goes to co-operatives and USDA personnel who monitored potential trouble spots and assisted farmers and the oil industry to keep the combines rolling.

This fall we are stretching limited supplies of LP gas to help farmers get fuel to dry grain and soybeans, and at the same time meet the priority needs of people for home, school and office heating.

We'll lick this problem with your help--and a continuation of the unprecedented cooperative effort of farmers and fuel dealers in identifying areas of impending shortage and taking prompt, corrective action.

8. Closely allied to the fuel problem is the transportation problem--another limiting factor. The transportation industry itself is a major user of fuel--primarily gasoline and diesel oil. The railroads are buying entire new fleets of rolling stock. We have added 11,000 giant hopper cars to the fleet since January 1 to help move the Nation's agricultural commodities, and have another 16,000 on order.

But a serious limiting factor in transportation not associated with fuel is the question of rail service, of the abandonment of rail lines to areas that now have elevators on these lines. The switch to truck transportation introduces new limits: rate structures, regulations, the availability of backhaul, trip-leasing

an all the rigidities we've built into transportation with our Interstate Commerce Commission--plus the limitation of turn-around time of rail cars and trucks at ports and terminal elevators. Teamwork between the Departments of Agriculture, Transportation, the Interstate Commerce Commission and the American Association of Railroads has cut rail car turn-around time in half. But we continue to get reports of 15 to 30 days time round trip from Kansas City to the Gulf Coast. This is too long. Some of these cars are needed to haul grain to the Northeast. Farmers deserve better than this. We intend to see that they get it.

Local planning will help. A recent innovation attracting considerable interest at this time is the practice of putting together locally a complete trainload for faster, more economical service.

9. Another limit we face is in the field of research. Will the public really support the kind of research in agriculture required to get the breakthroughs we need? Research is the key to expanding the production from a limited acreage and a limited amount of water.

We've seen both physical and scientific breakthroughs in our lifetime. But the breakthroughs of the future will be heavily scientific. The geographical frontier is gone, and with it Horace Greeley's advice of 140 years ago to: "Go west, young man, go west." The unbroken sod and the virgin forest are no longer there. Yet the frontiers of the mind--the frontiers of science--the frontiers of discovery are still before us.

These frontiers call for training more scientists. They demand financial support and underpinning for new scientists. Each new discovery makes the next one more difficult, and more sophisticated, and more costly. But on these new discoveries we pin our hopes to make available acres, and sunshine, and water go further than they do today.

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How will a public that no longer identifies a quart of milk with a cow--or a loaf of bread with a bushel of wheat--or a beefsteak with a field of soybeans learn to make that identification? The answer, of course, is that they'll never make the identification unless you and I, and other agricultural leaders, help them.

10. Perhaps the most frustrating of all limits are governmental restraints. We've taken most of them off the major commodities. We still have government restraints on some commodities where we don't need them anymore, like peanuts, rice, and extra long staple cotton.

Government controls erode the credibility of farmers with the public, although the current food-price situation is providing a great lesson in basic economics for some of those folks.

We may expect society to continue to impose more and more limits on agriculture through legislation and regulatory actions in the interest of food quality and safety. These limits we will adjust to and live with.

The solid waste problem associated with dairy and feedlot operations, for example, where large numbers of animals are confined in a small space, constitutes a practical limit on dairy and meat production. The problem is not only how to recycle the volume of affluent, but also to solve problems associated with runoff, ground water recharge, odor and air pollution at the farm level. Closely allied to this is the very serious problem of waste disposal facing dairy manufacturing plants. These, too, we will solve.

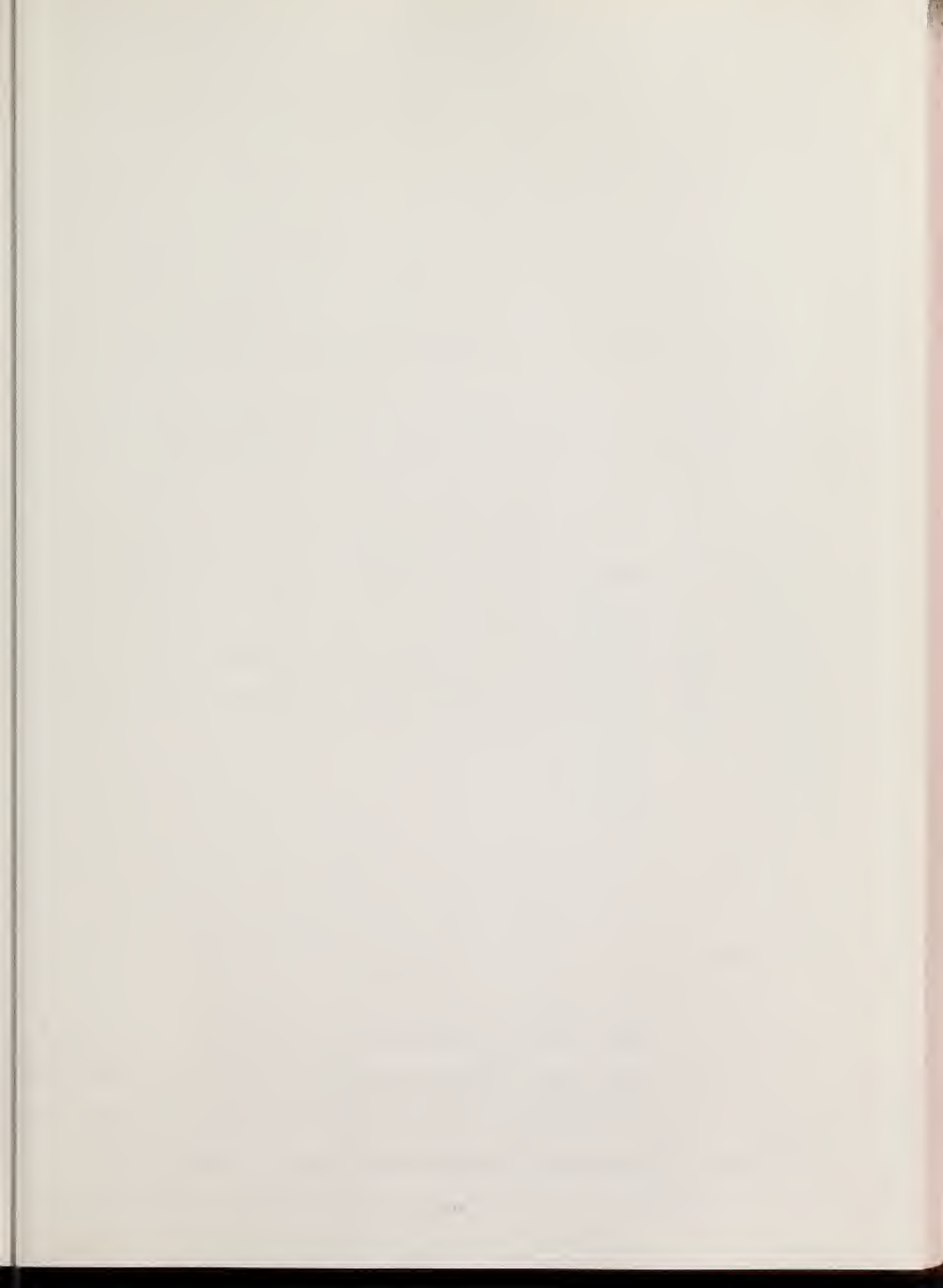
I am reassured when I meet with groups like this. The history of farmer cooperatives is that they treat problems as challenges and opportunities. No one is in a better position to attack these new limits on agriculture than you.

Agway began by helping farmers pool their resources in order to protect and improve farm income. Your concepts and ours have broadened since then. Today we

work with urban as well as rural people. We're concerned with the entire life of the community as well as the economics and technology of production. This is a formidable task, but looking at this group, I see the kind of strong commitment that will meet this challenge head on, and lick it. I know that agriculture is in good hands.

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Advance for Release at 6:30 A.M. EDT, Friday, Oct. 19, 1973



U.S. DEPT. OF AGRICULTURE
BUREAU OF PLANT INDUSTRY

JUL 10 '70

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THE CHALLENGE OF ENVIRONMENTAL ISSUES

It's hard to imagine what the earth would be like without human life. Our society is based on the belief that the environment exists primarily to support human existence. Our adjustments, our accommodations, our changes in the environment itself are aimed at improving the environment for the betterment of human beings.

History--which is another way of saying hindsight--tells us that man has not always made the wisest decisions in his attempts to transform and dominate nature. It also tells us of some whopping successes.

Nature, by itself, is not capable of realizing its full potential in contributing to the enjoyment of man. Nature cannot maintain a healthy environment for modern man to live in and enjoy, without help from man himself.

On the other hand, the problems man faces in his environment--especially those he has created for himself--will not diminish by themselves, or disappear without help from man.

Many areas of the world support human life today because man learned to control his environment. He learned to drain swamps in order to control malaria and other diseases that flourish in swampy areas. He invented chemicals that allow him to control disease-bearing pests, and to minister to the diseases themselves.

Man learned to manage forests and make them more productive. He learned to rotate crops, to irrigate soil, to select and breed plants and animals for desirable characteristics. And he did this by tampering with his environment.

Address by Secretary of Agriculture Earl L. Butz before the Environmental Health Institute, Purdue University, Lafayette, Indiana, October 19, 1973
4:30 PM

Man's history is the story of humanizing the environment--a history of trade-offs between social, environmental and economic forces. And I guess I can best sum up the Earl Butz philosophy by saying I like wildlife, and fish life, and plant and animal life--but even more I like human life. This colors and shapes my approach to any considerations of our environmental health.

Operating from this base-line philosophy, I am willing to join wholeheartedly with any and all responsible groups to fight needless pollution and protect the precious resources of this nation.

We're doing that.

Since 1969 our goal has been to point the direction away from crisis reation toward a constructive era of restoration and renewal.

In his first four years, President Nixon supported and signed into law: air quality legislation; strengthened water quality and pesticide control legislation; new authorities to control noise and ocean dumping; regulations to prevent oil and other spills in our ports and waterways; and legislation establishing major national recreation areas at our Nation's Atlantic and Pacific gateways, New York and San Francisco.

The National Environmental Policy Act of 1969 reformed programs and decision making, giving citizens a greater opportunity to contribute as decisions are made. The Council on Environmental Quality, the Environmental Protection Agency, and the National Oceanic and Atmospheric Administration provide coordination and management of our programs.

The results are measurable and beneficial. Day by day our air is getting cleaner. In virtually every one of our major cities the levels of air pollution are declining. Month by month, our water pollution problems are also being conquered. Noise and pesticide problems are coming under control. Parklands and protected wilderness areas are increasing.

At the same time our commitment of public funds for environmental programs also continues to grow. The public expenditure for pollution control increased four-fold from 1969 to 1973. In the area of water quality, the increase was 15-fold.

Some of these expenditures were wise ones. Others remain questionable. In many cases we are buying new facilities nearly as fast as the construction industry can build them. Where this is true, spending more money obviously is not the answer. More money would not buy more facilities--only more expensive ones. Such expenditures would be inflationary and counter productive.

To avoid unnecessary spending, we need a broader public understanding of the steadily growing share of responsibility private industries are assuming in the battle against pollution. Last year industrial spending for pollution control jumped by 50 percent. This year it may reach as much as \$5 billion.

This does not mean we should leave all the initiative to others. We need more and better coordination all along the line. For example, air pollution can be a killer. Water pollution gets headlines when it kills millions of fish. We read the headlines when the discomfort index makes our eyes water.

We see pictures in the newspapers and on television when fish float belly up in our rivers and streams. These events trigger us into action, sometimes before we ascertain the facts.

Many of us remember the shock of Donora, Pennsylvania when the "poisonous fog" lifted after four days to leave 20 dead and 6,000 of the city's 14,000 population ill and needing treatment.

Most of us feel anger and dismay when we read stories of phosphates from our homes and industry killing fish, choking the oxygen from our rivers and lakes.

We watch with sadness and compassion as waterfowl are cleaned or left to die in the wake of massive oil spills on our coasts and those of other countries.

All of us deplore these tragic events. But some people find in them the crusade for which apparently they have been waiting. They focus their attack on specific problems and charge off hell-bent to save the world from their own particular dragon.

I don't want to be too hard on these people. They are well intentioned, for the most part. Some of them are a little near-sighted, and a little self-centered, and sometimes a little misguided. But most of them mean well, and can be a tremendous source of support if we will but help them see environmental problems in a little larger perspective.

The "environmental awareness" era we live in challenges the best efforts of all of us.

Waste disposal for our cities is a major problem, and a growing one. One official said recently that half the communities with over 2,500 population are not doing even a minimally-acceptable job of garbage and waste collection and disposal.

Solid wastes can be eyesores as well as health hazards. Whether it be a city dump, or a 30,000-head feedlot, the stench from solid wastes can offend our nostrils if the wind is from the right--or perhaps the wrong--direction.

One fact is clear. Environmental problems are not the kind that yield to the adversary procedures which typify our American political system.

When environmental issues come to our attention as problems, the test or truth of both problem and solution is likely to be in the province of science, rather than politics or economics or just plain wrangling.

The proper approach, it seems to me, is to take each problem as it arises and see if we can't put it in a frame of reference where we can match the evil of the pollution against the benefits we receive and to work for the proper trade-off.

Take the population issue, for example. The human race doubles every 30 to 35 years. In some areas the doubling time is closer to 25 years. If population were to grow 3 percent annually for a century it would multiply itself 19 times. Obviously, that rate of growth cannot persist indefinitely. Both science and history relate some positive ways that halt population growth: War, genocide, starvation, continence, abortion, the pill. Our challenge is to decide which solution, or combination of solutions, if any, is acceptable in the framework of political, racial, ethnic and national realities.

Another example is the energy issue. To supply the goods and services needed to supply human wants and needs requires that we double our consumption of electric power every decade. Generation of power is directly related to fuel production, transportation, refining, and burning. Pollution problems arising from generation of electric power include thermal pollution of water, increased pressure on clean air, the too-rapid use of limited domestic fossil fuels, construction of pipelines which result in destruction of wildlife habitat, and

the danger or risk of oil spills in our estuaries and waterways.

Those who shrink from the risk of oil spill, or factory belch, or other highly visible form of pollution in their own area, and at the same time encourage people in other areas to step-up their production of fuel, energy and factory output are highly inconsistent. They apparently want to continue enjoying their own high standard of living, but at the same time would destroy the economic system which makes that standard of living possible.

The emission control system on our automobiles doesn't come for free. We pay for it. Lower compression engines, burning unleaded gasoline, with lower energy conversion ratios, will continue to be paid for by the people who drive cars. There is no short cut.

Generating plants can install emission control devices and reduce thermal pollution. These, too, will cost money. And the people who buy electric power will pay for it.

No-return bottles, new bio-degradable, disposable containers can be replaced with new, "safe" items. But consumers will pay for the replacements--and for much of the research that developed the new items.

Run-off from barnyard manure can be prevented from entering streams, ponds or lakes. It costs money to do this, and as a result meat is going to cost a little more.

Use of DES (diethylstilbestrol) to speed up the cattle fattening process has been eliminated by law. This, too, drives up the price of your steak at the retail meat counter. And any new replacement chemical feed additive for DES will add further to that cost.

The use of nitrites, nitrates, ammonia and persistent pesticides such as DDT have been sharply curtailed. Some have been eliminated from agricultural

uses. We're still looking for safe substitutes for some of these. Until we find them, food will cost more and there may be less of it. Without the use of some fertilizers and agricultural chemicals, it would be impossible to produce our modern food supply at all.

Throwing away our present agricultural technology would turn the clock back at least 75 years. The food industry would be out of business because it would not be able to use chemicals to make and keep its products safe. We wouldn't need supermarkets. What we would need would be someone to decide which 50 million Americans would go without food, because we would not be able to feed our present population, even at subsistence levels, without a substantial use of chemicals and antibiotics.

Let me suggest five basic principles to help transform our environmental concern into action.

1. Let's strike a balance, so that protection of our life style and our irreplaceable heritage becomes as important as resource use. The price of economic growth doesn't have to mean lowering the quality of our living and our surroundings.

2. Let's use Federal resources essentially to establish standards and develop leadership. This is important because there are no local or State boundaries to the problems of our environment. However, the real leadership and initiative in improving our environment for human life must come from local and State governments, and from the private sector.

3. Let's transfer more of the costs of pollution to the free marketplace instead of the Federal budget. Generally, the costs of eliminating pollution

should be borne by those who buy goods and services, not by the general taxpayer.

4. Let's be more aware of our local environment and participate in local actions and projects that help solve the problem without shifting it to other people or other areas.

5. Let's remain confident that our technology and economic ingenuity will be equal to the environmental challenges.

No currently foreseeable environmental challenge is insurmountable. On the contrary, the so-called crisis of the environment is actually a rallying cry, presenting us with an opportunity for unprecedented progress.

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Advance for Release at 6:30 A.M. EDT, Friday, Oct. 19, 1973

U.S. DEPT. OF AGRICULTURE
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Oct 21 1973

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A FREE AGRICULTURE--BASIS OF PROSPERITY AND PEACE

This nation's greatest success story is our revolutionary progress in agriculture. The primary source of that achievement has been the tremendous growth in the efficiency of American agricultural production--in the past 50 years, and especially in the past 20 years.

Symbolic of this efficiency has been our transformation from a situation in which a high percentage of our people were employed in agriculture to a situation where that percentage is now very, very low.

Fifty years ago 30 percent of our population lived on farms. Today less than five percent do. Twenty years ago one person in seven lived on a farm. Today only one in 22 does.

American agriculture has been completely revolutionized--from an industry with high human labor inputs to one with very low manpower requirements; from one of relatively low capital utilization to one of very high capital utilization. While farm producers once held the attitude that credit was something to be abhorred and erased as quickly as possible, credit is now a standard tool of production and becoming increasingly important.

The farm economy has been transformed from one employing only crude elements of science to one in which there is a very high level of scientific input in terms of genetics, engineering, chemistry, antibiotics, electronics, and everything else that enters into modern agriculture.

We have gradually shifted from a high level of direct marketing to a very sophisticated processing and market structure, both at home and abroad. That system is highly specialized--as is much of our production.

Address by Secretary of Agriculture Earl L. Butz before the Commonwealth Club of California, San Francisco, California, October 26, 1973, 12 Noon.

This situation is more true here in California than it is anywhere else. This state's wine industry, raisins and table grapes, lettuce, tomatoes, pecans, and the scores of other highly specialized crops contribute greatly to making California our number one farm state.

This revolution in agriculture has formed the basis for America's unprecedented general affluence.

Twenty years ago one farm worker produced enough food for 16 people. Today he produces enough for 51 people--three times as many as 20 years ago. That transformation in production efficiency has freed an astounding number of workers to do something besides feed our people--manpower to produce everything else that goes into achieving the unparalleled affluence we enjoy today.

We have a fabulous standard of living in this nation. Our mere six percent of the world's population uses an overwhelming--and certainly disproportionate--share of the goods and services most often sought and most symbolic of good living.

We use 33 percent of the world's energy. We have 38 percent of the world's television sets. We drive 44 percent of the world's motor vehicles. We use 35 percent of the world's electricity. We consume 26 percent of the world's steel. We fly 58 percent of all civil air miles flown.

On top of that, we feed ourselves better than ever before in history. We have been eating progressively better--in terms of the quantity of food, in terms of food quality, in terms of variety, in terms of year-round availability, in terms of total energy intake, in terms of shifts from starch to protein, in terms of switching from vegetable proteins to animal proteins.

In 1972 Americans ate an average of 116 pounds of beef per person--87 percent more than the 62 pounds per person eaten 20 years ago. That required cattlemen to increase beef production by 23 times in just two decades. Per capita consumption of poultry meat nearly doubled during the same period while cheese consumption per person increased a whopping 74 percent.

Accordingly, as our diets have shifted from starches and plant proteins to animal proteins, our daily average protein intake has gradually increased.

At the same time we have achieved this increased volume and improved quality of food production, we have been able to bring food to the American people for constantly reduced percentage of take-home pay. Twenty-five years ago we were spending nearly one-fourth of our income for food. Now it is less than 16 percent.

Our unprecedented agricultural productivity has also enabled us to develop a substantial and growing export market--which enables our farmers to produce at capacity and at peak efficiency, which means lower per unit costs.

United States exports of farm products have increased from \$4.05 billion in Fiscal 1952 to \$12.9 billion in Fiscal 1973. This three-fold increase has been highly beneficial--1) from the standpoint of increased income to our farmers which spills over into the whole rural community; 2) from the standpoint of our international balance of payments situation where farm exports are our greatest hope for achieving a positive balance; 3) from the standpoint of our growing ability to purchase the imports from abroad which we need and want; 4) from the standpoint of meeting our responsibility for fulfilling humanitarian food needs around the world when crises occur; and 5) from the standpoint of using food as a positive tool in our quest for world peace.

American agriculture has made all of this possible because it has been free.

Among all the major components of the American economic system, agriculture most nearly typifies individual entrepreneurial effort and organization. That reason--above all others--is why American agriculture's success has been so phenomenal.

We may boast with justification that our Land-Grant Colleges have made a great contribution in research and education. We may boast with justification that the Department of Agriculture has had significant impact in research, in providing information, and in the efforts of our Extension Service.

We may boast with justification that the equipment, chemical, feed, and supply companies have made their contributions in research and distribution. We may boast with justification that our farm organizations, cooperatives, and commodity groups have significantly improved the marketing system and the climate in which farmers produce.

Yet, all of this still had to be put together by an operator on a farm who was interested in making money. Farming is his business--the profits and the losses are his. He has been free--that is what has made American agriculture so unique and so successful.

Time and again, socialist nations of the world have sent their experts here to observe American agriculture. They have then taken back everything but the cement that holds our system together and the spark that makes it work. They just cannot grasp that magic ingredient of free, profit-seeking, individualism which characterizes our farm economy.

Our free, incentive-oriented farm economy has been threatened in recent years by progressive governmental intrusion into the farming enterprise. American agriculture has operated, increasingly, under a system of subsidies, of quotas, and of restrictions--programs designed essentially to hobble our farmers in their efforts to produce.

In recent months American agriculture has undergone a long and disruptive cycle of price controls--controls which have been counter-productive for farmers and consumers. Price ceilings signaled farmers to produce less--not more. Thus, less food was produced, and prices eventually increased to higher levels than would otherwise have been the case.

Our farmers have made unparalleled progress in spite of efforts to curtail production rather than developing markets, and in spite of counter-productive controls which have disrupted our entire agricultural marketing system.

We are finally moving to end the restrictive intervention which has been haunting American agriculture.

We have now lifted ceilings on food prices--and the incentive pricing mechanism in agriculture is again functioning.

We have steadfastly opposed export controls on farm products. The record crops now being harvested indicate no real danger of domestic shortage. After our dismal experience with protein export restrictions last summer, we are determined not to further tarnish unnecessarily the credibility of this nation as a dependable supplier of food and feed stuffs for export.

This Administration's approach to farm policy, and the philosophy embodied in the Agricultural Act of 1973, is to turn our farmers loose to produce. Farmers are happier when they are producing closer to capacity, and they are more efficient, too.

We are moving the Government out of farming. We are removing decision-making from Washington and returning it to individual farmers, who can once again be market-oriented.

The American farmer will now get his production signals from the market--not from the Government. He will be able to respond to those signals much more quickly and confidently than he could respond to bureaucratic decisions which sought to determine in Washington things which a politically-oriented bureaucracy is really incapable of determining.

Farm production increased substantially this year. For the year to come, we have already announced a zero set-aside for major crops. Market prices are signalling maximum production--and, for once, Government will not be interfering.

Farmers will respond, too. They will produce ample food, of top quality, for our growing domestic market--and we will maintain our leadership role in agricultural trade.

The central thrust of the Federal Government today supports the incentive orientation of agriculture.

Farmers desire to make a profit--and then to keep part of it. The Nixon Administration's efforts to curtail Federal spending, to stop the rise in the cost of Government, and to balance revenue and expenditures are consistent with the farmers' desire to keep a larger share of what they make.

We are making progress. Federal expenditures for 1973 were well under the Administration's budget of \$250 billion--and we actually see the real possibility of a balanced budget in Fiscal 1974.

This determined effort is incentive-oriented, and it is consistent with our desire to strengthen the freedom and vitality of the farm economy.

The United States is the World's best place to buy food.

The American people continue to eat better, for the lowest percentage of income on record, because this is the world's best place to buy food. Free World nations increasingly turn to the United States to fulfill their food needs, because this is the world's best place to buy. The socialist nations--ideologically disgusted by the success of our system--also have turned to us to buy food, because they know we are the best place to buy.

The United States holds this unique position in the world for several reasons.

We have not yet learned in agriculture how to gold-brick on the job. We have not yet learned to punch the clock at the end of an 8-hour day or a 40-hour week. We have not yet learned to tell Bossy, the milk cow, that we want to be gone for the weekend and that she should shut off the spigots for three days. We have not yet learned to put two drivers in a tractor cab, as the railroads have done--a practice that has helped to nearly sink that industry.

In agriculture, we are still geared to production. We are still geared to efficiency. We are still geared to low per unit costs.

We are so geared because we are still free. We are free to innovate. We are free to change. We are free to borrow risk capital. We are free to adapt our methods of marketing. We are free to seek new markets, both here and abroad. We are free to cast off old technology without getting permission from some faraway commissioner to do it. We are free to associate as producers and as commodity groups for new product development, for market expansion, and for an improved legislative and regulatory climate.

In a nutshell, American agriculture is one segment of our economy in which land, labor, management, capital, and risk are combined for the purpose of making a profit--to perform American entrepreneurship at its best.

The invisible cement which holds American agriculture together is the hope of making a profit--and keeping some of it. In American agriculture, the incentive system operates more unencumbered, and thus more effectively, than in any other major segment of the American economy.

If we continue to unleash the great productive capacity of our farmers--and leave them free to respond to an unencumbered incentive price system--American agriculture will continue to be the basis of prosperity and peace, for both this nation and for the World.

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Advance for Release at 6:30 A.M. EDT, Friday, October 26, 1973

USDA 3300-73

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IS THE WORLD ON A COLLISION COURSE?

Robert Thomas Malthus was the father of demography, the study of population. One hundred seventy-five years ago, this English clergyman-economist-historian predicted a dire prospect for the world.

He said that population tended to increase geometrically while food production increased on an arithmetic curve, and that in due time the World would be condemned to starvation and poverty and misery because Mankind simply would be unable to produce food fast enough to keep pace with human reproduction.

For a few years, people took Malthus seriously. Then, for well over a century, they did not.

In recent years, we have dusted off Reverend Malthus. His thesis is again being given careful consideration. Some people even feel that Malthus was not wrong--that, in fact, he was right and that his predictions may have been only premature.

In light of this revival of the Malthusian warning, an examination of population and food prospects from the standpoint of the United States and the World is in order.

We are geared to meeting the population challenge in the United States.

Our population has been growing rather rapidly--even though the rate of increase has slowed some in recent years. Nevertheless, reliable projections indicate that by the year 2000 we will have 80 million more people in the United States.

Address by Secretary of Agriculture Earl L. Butz at the Pepperdine University Great Issues Series, Los Angeles Hilton Hotel, Los Angeles, California, October 29, 1973, 12:00 Noon PST.

America's food production capacity has become increasingly a topic of public concern, in the past 18 months particularly. The American people have been concerned over alleged shortages of food in this country. Groups have organized to complain about food prices. Political pressures have brought food price controls--and then housewives have asked, "Why don't we get more beef?"

Increased food production will certainly be needed. It has been forecast that by 1985 Americans will be eating on the average 140 pounds of beef per person each year--24 pounds, or 20 percent, more than now. Calculating that forecast with our projected population indicates that cattlemen will need to produce about one-third more beef in just the next 12 years.

Projecting that trend to the year 2000 yields an astounding demand for beef in the absence of some effective and acceptable substitute for the protein which we now get in our meats. Similar projections for other food commodities indicate the magnitude of the task ahead in feeding the people of the United States.

There is no danger of food shortage in the United States in the foreseeable future.

Currently, with some acres idled and with others not farmed intensively, we produce a sufficient amount of farm produce to give us the highest standard of living anyplace and any time in history. On top of that, we export two-thirds of our wheat, half of our soybeans one-fourth of our feed grains, half of our cattle hides, two-thirds of our rice, and one-third of our cotton.

USDA 3304-73

Our farmers are accomplishing a massive increase in production in 1973--and we will have still more production in 1974. We announced a zero set-aside for major crops next year--and we are urging all-out production.

Looking ahead, there is a substantial amount of untapped science which can be applied to increase output per acre and to save the crops that are produced. Furthermore, we are seeking ways to increase multiple births in beef cattle, speed up finishing time for meat animals, expand the use of irrigation, and further intensify food production throughout the Nation. Virtually no scientific stone is being left unturned in our efforts to expand our capacity to produce.

The challenges of World population are astounding.

World population, now at about 3.7 billion, is projected to increase to at least 6.5 billion and possibly to over 7 billion by the year 2000--perhaps double what it is at present. World population will likely reach that projected level in spite of massive efforts at population control.

The population of India, which already is having trouble feeding itself, approaches 575 million. Even if that country were to achieve zero population growth today, the age distribution of the Indian people is such that India's population would still increase to one billion by the end of the century.

If current fertility remains constant and if mortality declines in the less developed nations of the World, their populations could be more than ten times their present size by the year 2050.

Many of the less developed areas of the World now have annual population growth rates exceeding three percent. Three percent per year may not seem like much. Yet, if any population--whether it be people or cattle or weeds--is increased at an annual rate of three percent, compounded, that population will multiply itself 19 times in a century. That possibility is almost incredible--and that rate of growth cannot persist indefinitely.

We simply are not used to thinking in terms of geometric growth rates. Yet, our population is growing geometrically. In the long run, population growth must be stopped.

The question of population control is no longer a moral question, or a religious question, or a philosophical question. It becomes simply a question of running out of space on the surface of the earth for that many individuals to stand.

If the world does not take positive steps to curtail population, Malthus' prediction of sheer starvation and general deprivation will take over and perform the function painfully and automatically.

The human race is too intelligent to let that happen. We must be the architects of our environment--and thus our destiny--and not its victims. In the long run, therefore, some type of population limit or control is a necessity.

The World food problem will be tough to master--even with effective population control.

Can we feed seven billion people?

Yes, we can. Furthermore, we will feed them. Otherwise they simply will not be here. There is an old, somewhat cynical axiom of demography that says that population will never outstrip the food supply. It is a biological impossibility.

The real question is not whether we can feed seven billion people. The real question is--can we feed them well?

Can we feed them at a higher level of nutrition than at least half of the world's people now experience?

Can we make eating an exciting experience instead of a dreary exercise in holding body and soul together?

Can we raise the level of contentment and physical well-being of people to the end that World peace will be easier to attain than in a World faced with the drab prospect of endless hunger and starvation?

In each case the answer is yes. It will not be easy, however.

Throughout the world, we must push forward with relentless determination to modernize agriculture.

We must accomplish more intensive use and more extensive application of science to the acres now available. We must drastically increase the efficiency with which feed grains and protein are converted into meat, milk, eggs, and other animal products.

We must expand efforts to bring new acres into production and to reclaim acres which have been wasted or unused.

We must increase cultivation of the ocean--a great untapped food reserve.

We must also develop tropical agriculture, another area about which we still have a lot to learn. The tropical climate is hostile--but the rainfall is there, the land is there, and the sunshine is there. Tropical agriculture is indeed a great untapped possibility for the World.

If we are to be successful, a substantial measure of technical and educational assistance must be directed to the developing nations--where in many cases the agriculture remains very primitive.

Progress will involve increased application of capital. That may take the form of irrigation, of drainage, or similar improvements. It may involve development of the infrastructure of agriculture in order to help get the plant nutrients to the fields. It may involve new ways to save the crops that are produced, to store them, and to move them through the channels of distribution.

It will surely take the form of improving the means of fighting the insect world which currently takes a tremendous toll. If man could only properly control insects, the World's capacity to feed people would be vastly improved.

By the end of this century, I believe that we will have the capacity to feed twice as many people as we have in the World today--and that we will be able to feed them better than we do the half as many people that we have today. We can do it--if we successfully accomplish the things I have just described and solve new problems as they come along.

American agriculture will be a critical factor in the total food supply that the World will be able to provide.

The United States has greater capacity than any other nation to help the world accomplish the critical progress necessary to increase food production.

In addition, however, this nation is destined to remain a substantial provider of food for much of the World.

That will be possible, however, only if we keep American agriculture free so that there is some incentive to accomplish the great production task ahead.

Agricultural production is an industry that can never be put into the large factory-type mold. The dimension of individual entrepreneurship must predominate because farming will always be to a certain extent an art.

The farmer must vary his work with the weather. He must vary his plans with opportunity. He must be there when the baby pigs are born. He must milk the cows on Christmas Day. He must catch the first signs of disease with a trained eye.

Farming can never fit effectively and efficiently into a large super-structure. The best illustration of this is the difficulty which the socialist nations have had in getting their collective and state farms off the launching pad. Even with all the top priority given these farms in terms of capital allocation, planning, and technical assistance, they simply will not take off. The reason is that the vital invisible ingredient of a profit incentive and individual entrepreneurship is just not there.

The World will not find itself on a collision course if the nations and peoples of the World adopt and implement an effective policy of population control, if leaders in the community of nations move forward to expand our food production capacity, and if this nation--perhaps the greatest single force in food production--is wise enough to allow the incentive system to remain in the driver's seat in the United States farm economy.

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USDA 3304-73

Advance for Release at 6:30 A.M., EST Monday, Oct. 29, 1973

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THE EMERGING CONSUMER MARKET IN RURAL AMERICA

I agree with the popular television commercial--"I'm bullish on America!" The well founded note of optimism is based on very real prospects for continued growth and sound investment throughout the nation.

Nowhere is this growth opportunity more evident than in rural America today.

Looking back, we see that sometime in the late 1960's the growth rate of urban populations began to slow. About the same time, the growth and expansion of rural America began to accelerate. Recently new jobs in rural areas have been developing at more than twice the rate of new urban jobs, and the migration of country people to the cities has slowed.

Our national policy fosters this rural community growth trend. Following a task force study launched by President Nixon in 1969, the Congress passed and the President signed the Rural Development Act of 1972. That Act was funded by the Congress this month, and funds to assist rural development are included in the agricultural appropriation bill which President Nixon signed last week.

A keystone of this Administration's rural development policy is federally insured bank financing as opposed to Federal funding. We are moving away from categorical grants--those that limit the use of funds to specific projects named in the grant--toward block grants and revenue sharing where the local communities take the funds, set their own priorities, and decide for themselves which projects best meet their needs, according to their own timetables.

Address by Secretary of Agriculture Earl L. Butz before the 53rd Annual Convention of the Consumer Bankers Association, Newport Beach, California, October 30, 1973, 8:30 AM.

Our Rural Development program stresses operating within the American free enterprise system. Instead of setting up lending systems that compete with local banks, we are endeavoring to work within the framework of established banking services through the use of insured loans. I think this is the way to get the most benefit for the taxpayers' buck.

In light of recent developments, it is clear that consumer banking is on the threshold of new opportunities to serve rural America. Farmers and other rural residents need enlarged credit and other financial resources which local banks can provide.

We expect agriculture will continue to be the backbone of most rural communities. Farm operator families now spend about \$49 billion a year for goods and services to produce crops and livestock. In addition, this year they have available \$19.7 billion of 1972 realized net income from farm sources, and \$19.4 billion from off-farm sources, to spend for personal taxes, investments, and for the good things of life that city people also buy. The 1973 net farm income is going to be about \$24.5 billion, on a realized gross of \$86.8 billion. We haven't yet projected off-farm income for 1973 but it, too, will increase significantly over 1972.

The goods and services farmers buy keep our national economy rolling.

Each year, farmers buy:

-- \$6.1 billion worth of new farm tractors and other motor vehicles, machinery, and equipment. It takes 140,000 employees to produce this farm equipment.

-- \$4.6 billion for fuel, lubricants, and maintenance of machinery and motor vehicles. Farming uses more petroleum than any other single industry.

-- \$10.1 billion for feed and seed.

-- \$2.6 billion for fertilizer and lime. With an estimated 10 to 12 million more acres due to be planted in 1974, this figure has a potential to increase substantially.

-- 360 million pounds of rubber in various products. This is about 5 percent of the total rubber used in the United States, and would be enough to put tires on 7 million automobiles.

-- 33 billion kilowatt hours of electricity. This is equal to 2-1/2 percent of the nation's total, and is more than the annual residential use in all of New England plus Maryland, Kentucky, and Washington, D. C.

-- 6-1/2 million tons of steel in the form of farm machinery, trucks, cars, fencing and building materials. Farm use of steel supports 40,000 workers in the steel industry.

In fact, the things farmers buy, just for production purposes alone, create jobs for two million people. Another 8 to 10 million people have jobs storing, transporting, processing and merchandising agricultural products. These include over 300,000 employees and a payroll of \$2.4 billion workers engaged in meatpacking and poultry processing; 192,000 workers and a \$1.5 billion payroll in the dairy industry; 235,000 workers and a payroll of \$1.9 billion in the baking industry; 264,000 workers and a \$1.6 billion payroll in the canned goods and frozen foods industry; and 163,000 workers and a billion dollar payroll in the textile industry.

The significant fact about these figures is that many of the workers are, in fact, rural residents. And more soon will be. There is a growing trend among agribusiness industries to relocate their plants in rural settings.

In many cases processors are moving closer to their sources of supply of raw agricultural commodities. In some cases, the labor market is more attractive away from the major cities.

But more and more the reasons given for plant relocation have to do with redesigning plants into more pleasant surroundings, because workers themselves have indicated a desire to live in rural communities, with grass and trees and open space.

Workers in developing rural communities have also made it clear that they expect to have a high standard of living. When they move into their new rural homes they put in modern kitchens, and color televisions, and wall-to-wall carpeting with matching drapes. As these communities grow on the strength of new income, the communities can afford water and sewer facilities, better schools, shopping centers, cultural centers, churches, and public recreational facilities including golf courses and swimming pools.

Indications are that major manufacturers of home appliances are having a good year--better than they had anticipated. They are looking ahead to a strong consumer market for 1974. A recent report indicated that dealer shipments are running as much as 14 percent ahead of last year.

Increasing our production, and developing new markets abroad, creates more jobs in rural America and throughout the land. For every \$100 million of grain exports, more than 5,000 jobs are generated in warehousing, transportation, trade and elsewhere. About 4,200 jobs are generated with each \$100 million of soybeans. Increased total exports in fiscal 1973 created well over 100,000 new jobs off the farm. Transportation and warehousing industries received an estimated \$150 million more in receipts in

fiscal 1973 because of agricultural exports.

New barges have added 4 million tons of capacity.

Our national railroad system has added 11,000 hopper cars and has another 16,000 on order to help haul agricultural products.

There is no question that the strong demand both at home and abroad for U. S. agricultural production will remain through 1974 and, we think, through 1975. Beyond that, predictions are more difficult. But with strong markets, and a profit incentive, it stands to reason that opportunities for agriculture are great and improving, and are going to continue for a long time.

It is abundantly clear that when agriculture prospers the entire economy prospers.

We're entering an era of rural community action where banks and other lending institutions will have opportunities to serve rural communities with more installment credit.

A survey of the intended use of agricultural land being transferred out of agricultural uses reports data on over 2,400 recent sales of farm real estate, involving 390,000 acres and a total value of approximately \$260 million.

The survey shows 14 percent of the land being transferred to non-agricultural uses is being used for rural residences; 43 percent is for subdivisions; 15 percent is for recreation; and 9 percent for industry.

Many farmers, rural homeowners, and small businessmen in rural communities see a need for new financing to meet their current needs both for production and for personal living.

They, like the rest of us, have been looking at the money market and hoping to see a downturn in mortgage, installment loan, and business loan rates.

However, with the strong, booming economy prevailing at this time, the demand for borrowings will probably continue to rise. Farm families and rural residents will continue to apply for bank financing. Some rural bankers say that as the tight money situation eases somewhat for commercial banks, they expect to be making loans to a wider range of people, but probably not at significantly lower rates.

I hope that as banks do increase their volume of business to the consumer trade, they look for ways to adjust interest rates downward a little here and there. This will help the residents of rural America buy more cars, build new homes, or put in new bathrooms and replace the living room furniture in existing homes.

In short, increased consumer banking services can serve a rural America which is enjoying unprecedented new prosperity.

This is a rapidly-developing new market for you, a new opportunity. I urge you to seize it. It will be good for you and good for farmers, rural residents and your communities.

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Advance for release at 6:30 A.M. (EST) Tuesday, Oct. 30, 1973

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SOY PROTEIN - BASIS FOR BETTER EATING

Much of what is being referred to as a world food shortage is not a food shortage at all--but rather a reaction to recent prices for animal proteins. Except for a few isolated areas, there is no general hunger, but rather a situation of protein deficiency and protein desire.

Let's make a distinction between deficiency and desire: (1) Many people in the lesser developed areas of the world have a deficiency of protein in their diets, and this can be a very real health problem.

(2) In other areas, people may be accustomed to meat, milk, and eggs, and are eager to maintain or expand consumption of these products at lower prices.

Many countries have the capacity to expand livestock and poultry production, and in the process to lower prices of those products. This potential accounts for much of the market growth opportunity for soybeans and other feedstuffs around the world. But even in areas where livestock and poultry development may come more slowly, there is the opportunity to expand protein consumption in other ways.

Soy protein provides a means of both extending the animal proteins and replacing them with high quality protein that is relatively inexpensive to produce. There is, in short, a tremendous growth opportunity in the utilization of soybeans directly as human food. And, while soybeans have an ancient and honorable place in the cuisine of the Orient, the world potential for direct human use of soybeans has hardly been scratched.

Address by Secretary of Agriculture Earl L. Butz before the World Soy Protein Conference, Munich, Germany, November 12, 1973, 10:00 AM

It was really not until the mid-1960's that the Western world began to give serious consideration to soybeans as food, other than for babies and dietetic uses. Current trade estimates of U. S. soybeans used for human consumption in both domestic and foreign markets are placed around 1.0 million metric tons a year--hardly a dent in the U. S. crop. Food use accounts for only about 3 percent of U. S. soybeans crushed and exported, compared with the 85 percent that goes into animal feeds and 12 percent into industrial uses.

But a much brighter future is in prospect, with some estimates indicating a soy protein food market for U. S. soybeans of perhaps \$2 billion by 1980 contrasted with \$75 million or so today. Research scientists at the U. S. Department of Agriculture say that by 1980 vegetable proteins could amount to the equivalent of 8 percent of our country's total red meat production. And some private sources have predicted that as much as 20 percent of the 1980 "meat" supply will be made up of vegetable protein meat analogs.

There is, for example, a growing acceptance of soy-extended ground beef, which is increasingly being seen in U. S. supermarkets at prices below those for the all-meat products. Soy protein is also used as an extender in frozen meat dinners, quick-heat servings and many other convenience items.

In addition, the institutional trade already is using soy protein to a considerable degree, not only in ground beef but also in other meat dishes. Soy-protein products are increasingly used in hospitals, health-care facilities, Government institutions, college and university food services, food processors, and restaurants.

A major breakthrough came in 1971, when the U. S. Department of Agriculture authorized the use of textured vegetable protein, fortified with vitamins and minerals, in our Type A School Lunch Program and in lunch or supper of the Special Food Service Program for Children. As a result, textured soy protein can now make up as much as 30 percent of meat patties, stews, sauces, and similar meat, poultry, or fish dishes.

At present, these textured vegetable proteins are derived entirely from soybeans, but it is possible that cottonseed, peanuts, safflower seed, sunflower seed, and grains will be used increasingly as well. In USDA programs, plant proteins are blended with other foods, and the combination results in foods having a better balanced amino acid pattern than if these foods were used alone.

Schools are able to buy textured vegetable protein at about 18 cents a pound (hydrated weight) and mix this at a 30-to-70 mix with lean red meat which sells for over \$1.00 a pound. During the 1971-72 school year, about 23 million pounds of textured vegetable protein (hydrated weight) were used in the school lunch program, and that amount almost doubled in the following year.

The Food and Nutrition Service of the U. S. Department of Agriculture has set up a system for evaluating, accepting, listing, and monitoring plant proteins being used in its several feeding programs. In addition to textured vegetable proteins, USDA is now making use of a number of other plant protein products in its food programs--and is considering still others.

High protein enriched macaroni is used as a partial meat alternate. Analogs, derived from soy, cereal grains, and other products, are being used primarily as meat alternates in religious schools. Feeding programs

for American Indians of the Navajo nation are making use of lysine fortified wheat flour. A formulated milk-based product has been approved for children's feeding in a Special Food Service Program for Children.

Also being considered are a variety of formulated bakery items to use soy and perhaps other plant proteins to augment both quantity and quality of proteins. Soy-fortified cornmeal or tortilla flour is proposed to upgrade the protein in corn meal in the South and Southwestern U. S. areas where corn is an important item of the diet. Also, guidelines are being written for formulated pizzas to be used in USDA food programs.

Soy protein in blended food products has also become increasingly important as a food supplement used in combating malnutrition in U. S. programs for needy people in other countries. Since 1966 the blended foods--corn-soya-milk and wheat flour, soya--have been included among the commodities donated under Title II of Public Law 480 to feed needy people and meet emergencies caused by natural disaster or human conflict.

Corn-soya-milk and wheat-soya blends have supplied badly needed nourishment for school feeding programs, maternal and child feeding programs and for the food-for-work program aimed at relieving hardships of the unemployed and underemployed.

These products have been very well received. Shipments have been larger to the Near-East--South Asian region than to other geographic areas, followed by Latin America, Africa, and East Asia. Moreover, commercial purchases of blended food products have increased, as well. The wheat-soya blend is now available for sale for foreign currencies under Title I of PL 480 and under the CCC export credit sales program.

The particular virtue of the blended foods is that they provide a large amount of nutrition at relatively low cost.

During the past years, research has provided ways to fortify cereals with high protein additives. As formulas were perfected, soy-fortified cornmeal, bulgur, rolled oats and sorghum grits became available as highly nutritious food supplements. All of these food items are now included under Title II donations programs, sponsored by U. S. voluntary agencies. Title II food resources are also channeled through the World Food Program, a multilateral food assistance program active in many countries.

These varied uses that are being made of soy proteins would certainly seem to augur a variety of expanded commercial opportunities. As with any new product, there are also problems, and we invite the other countries represented at this conference to join us in trying to eliminate these impediments to market expansion.

The United States will invite other countries to review at the multilateral trade negotiations scheduled this fall, the classification and tariff treatment of edible proteins. In this regard, many of you here are experts in this field and can play an important role in helping to identify the standards that make for meaningful tariff classifications.

The United States has been particularly concerned about the various tariff treatments being accorded to related soy proteins such as concentrates, isolates, and peptones. In such major markets as the United Kingdom, Denmark, and Ireland, these protein products have enjoyed relatively free tariff treatment and in some instances are duty free. However, with the expansion of the European Community, these countries

will now be required to merge their tariffs with those of the original six. In this merger, the U. S. interest is that the classification of these proteins will remain in the low tariff category BTN 35.04 (peptones and other protein substances and their derivatives), the most widely accepted classification for these commodities, and not to be subject to reclassification into higher tariff categories, some of which in the Community are subject to a duty, plus a variable levy.

The U. S. has challenged an earlier decision of the Nomenclature Committee of the Customs Cooperation Council, which determined that the method of manufacture of a protein substance is the basis for a tariff classification. In our view, this decision, which affected a large number of West European countries, was more the result of misunderstanding than a deliberate attempt to limit market opportunities for soy concentrates. However, even if the decision reclassifying these items into a higher duty classification resulted from a misunderstanding, the result unfortunately is the same--in that it is expected to have an adverse effect on trade.

In our view, there is a need for reexamination of current classifications in this broad area of soy proteins to assure the most liberalized tariff treatment of this vital category of food proteins. In view of the wide interchangeability of these items, an effort should be made for the maximum number of items to be grouped in a low-tariff category.

In recent months, there has been a good deal of comment about a world shortage of proteins, with the implication that soybeans were not sufficiently available even to take care of all direct food needs. This is patently ridiculous in view of the small percentage of soybeans going directly into food--and the large increase in overall soybean marketings for all uses.

Even with export controls in effect for a time last summer, the United States exported 19 percent more soybeans and soybean meal in the marketing year that ended August 31 than it did the year before. Almost half of our 1972-73 shipments went to the European Community either as beans or as soybean meal. In terms of soybean equivalent, exports to the EC amounted to 332 million bushels (9.0 million metric tons)--an increase of 14 percent over the preceding year.

We estimate that soybean and meal exports to the European Community not only covered the EC's entire increase in consumption for the year, but also went part way in filling the shortfall in shipments from other traditional suppliers. In other words, U. S. soybean farmers more than held up their end in providing for increased use in the Community--while taking up part of the slack in supplies of fishmeal from Peru, peanuts from Nigeria, and other world supplies which fell short in the past year.

Moreover, we are producing in 1973 a soybean crop 24 percent larger than last year's record crop. We are, and are determined to be, a consistent and dependable supplier of farm commodities to our global customers. We ask in return that our producers be assured of the freedom to market through a world trade system that is liberal and expanding.

U. S. agriculture has moved in the direction of a market oriented system and freedom to produce for market demands. This is entirely consistent with our goals in international trade. We believe that farmers--and national economies--benefit from trading policies that permit producers to respond to growth in demand, and to the changing diets of consumers.

An international food policy that is effective and workable must include an expanding system of trade. And for a world that wants to eat better, that system of trade must surely include the soybean.

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FOOD SECURITY ON A GLOBAL BASIS

Food has different meanings for different people. Many people in developing nations must spend much of their time and energy just getting enough food to survive. At the other end of the scale are the affluent people who eat for the sheer enjoyment of it. We all must have food to live. The basic starting point in any food discussion is agriculture, with agricultural problems and agricultural solutions.

The food supply involves more than just the visible amount of a commodity. It involves the ability of soil and climate to produce, the ability of people to take the product, to process it, transport it, and make it available to people at prices they can afford to pay.

Food security must therefore be approached on a broad front--not just the management of reserves.

The Current Food Situation

The world food situation has improved considerably since the beginning of this crop year. World grain and oilseed production will be at record levels this year, permitting a rise in per capita consumption of both grain and oilseed meal. The rice situation continues to be more stringent than with the other grains, wheat supplies are somewhat more plentiful and coarse grains show the best supply situation.

Address by Secretary of Agriculture Earl L. Butz before the Food and Agriculture Organization of the United Nations, Rome, Italy, November 13, 1973.

We think that 1973-74 consumption will exceed production, but not by much. This small deficit should be made up from the wheat and feed grain stocks reported for the United States, Canada, Australia, and Argentina. This rather tight balance assumes that individual countries will not build unusually large stockpiles of grain during 1973-74. It recognizes too that some drawdown in stocks will occur. World stocks are thin, but they should be more than adequate to meet estimated consumption.

This review of the supply-demand situation is more optimistic than some of the scare estimates that have been put forth. I feel that the more fearful evaluations fail to take account of (1) the improvement in agricultural crops this year as the season progressed, (2) the general success with which the producing nations have been able to meet the unusual needs of the past two years, and (3) the overestimate of potential needs which arises during shortages in order to "be on the safe side."

Grain production is being increased this year in the United States, Canada, Australia, the Soviet Union, and the People's Republic of China. World protein meal production will also be at an all-time high. In the United States, we are bringing in record crops of wheat corn, and sorghum grain, and soybeans are estimated at 24 percent above last year's record crop.

The Response to World Needs

Even with last year's widespread crop failures, the world actually has responded quite successfully in making food available and in expanding production. To begin with, the food reserves available last year were by no means exhausted, nor was there a failure of distribution among nations.

World grain stocks on July 1, 1972 amounted to around 15 percent of total world consumption--not so high as in the 1960's, of course, but still substantial in relation to projected requirements. On that date, the wheat carryover in the United States was equivalent to 20 months of U. S. food needs. After harvest of the 1972 crop, the wheat supply was equivalent to 4-1/2 years of U. S. domestic requirements--one measure of the "world reserve" built into the American system.

Our soybean carryover last year was not considered large; nevertheless on October 1, 1972 we had on hand a carryover equivalent to 10 percent of our domestic use. To that, we added a record 1972 crop, which put total supply at 1,355 million bushels, which was 80 million bushels above the preceding year and almost double our domestic needs.

What I am saying is that the United States this past year was in a position to make a tremendous contribution to international needs at the very time that these needs were accentuated by production failures around the world. In the 1972-73 marketing year, we exported an amount of wheat almost double the preceding year, with our traditional customers sharing fairly. And we exported an amount of soybeans, even with a brief period of export controls, that exceeded the preceding year by 63 million bushels, or a 15 percent increase. Again, our traditional customers shared fully in this export growth, and actually obtained U. S. soybeans in greater quantities than their initial projected requirements.

To help alleviate food problems, we also provided 6.7 million tons of grains, including rice, under P. L. 480, including outright grants, at a cost of more than \$700 million.

If a fixed pattern of supply commitments and a centrally controlled inventory system had been in effect, our farmers would not have done nearly so well in supplying world needs. Had U. S. farmers been producing to a rigid system, without the flexibility to respond to markets, the supplies available from the United States would have been much smaller. It is a simple fact that farmers in the United States produce in response to price and outlook for demand. We, and they, have not discovered a better alternative to assure the capitalization, management and dedication necessary to encourage high production.

Still, there is unquestionably a need to have some system of guiding and encouraging countries to rebuild stocks and carry them forward to cover world requirements in years of scarcity. With the immediate food situation somewhat better than once feared, we should take advantage of this respite to plan for future world needs on a rational basis. It is for this reason that Secretary of State Henry Kissinger has proposed a world food conference, with full support of the U. S. Department of Agriculture. It will provide an opportunity to proceed calmly in developing new approaches to food security and consider carefully the question of food aid and relief.

In the discussion of these questions, there is some confusion. It is important that we decide what we are talking about when we refer to world food security. The two general types of food "security" are often confused.

Food Aid

One type of food security is that which comes from knowing that the world has supplies available to meet genuine life-or-death crises. For example, the situations now faced by African countries, Bangladesh, and South Vietnam require supplies of food to avoid genuine hardship and even

starvation. The United States has been meeting this type of need through its PL 480 programs. And we have been doing this even in time of short supplies. The United States will contribute nearly \$900 million to meet food and commodity requirements of developing nations this fiscal year. We are fully committed by the very nature of our people, and the expression of their will through government, to continue to come to the aid of needy people around the world.

Since the enactment of PL 480 in 1954, the United States has provided more than \$25 billion in food aid under that program. It has also contributed nearly half of the total pledges under the World Food Program since 1962. Through its support of international financial agencies such as the World Bank, as well as through its own aid programs, the United States has played a leading role in providing developing countries with the resources necessary to enable them to grow more for their domestic needs and to compete in the commercial market for food.

The United States recognizes the need for special assistance to developing countries in implementing food reserve policies. We are prepared to work with the FAO and other international organizations to provide such assistance when requested. We will continue to provide research assistance on ways to prevent loss in handling and storing farm crops under different climatic and economic conditions. And we will continue to train technicians.

The United States will continue its bilateral food programs. It will continue to fulfill its obligations under the Food Aid Convention of the International Wheat Agreement. We can also foresee an expanding role for the United Nations Development Program, with full participation from the United States.

The United States will continue its contributions to the World Food Program for meeting unforeseen shortages and emergency situations. We have supported recommendations that governments undertake extra-pledge contributions to the WFP for emergency aid purposes, and that developed countries which are not food exporters provide funds for the purchase of surpluses when they occur in developing countries.

As for the United States, we are committed to expanding U. S. crop production in 1974 in response to world demand. Our domestic agricultural programs and current market prices are providing a powerful incentive to producers. We have opened up our agriculture to full production. We have freed up 41 million acres from our set-aside program for the 1973 crop year and an additional 19 million acres for 1974.

We hope that next year's larger crops will enable the United States to meet its food aid obligations with less strain than this year. We believe, however, that this is a good time to consider arrangements that would spread the responsibility and opportunity for food aid and relief more broadly among nations. We believe that the prevention of hunger and starvation is a moral responsibility of the leaders of all nations, developed and underdeveloped, and we believe that most nations would prefer to join in a multilateral approach.

We believe that the United Nations should take the leadership in this broadened effort, involving all of its members but making use of the immense experience, knowledge, and technical skills already present in the Food and Agriculture Organization.

We should also explore, on a multinational basis, the question of how to provide more effective technical assistance to people in the chronically food-deficit areas.

These are considerations that should go into any discussion of food aid needs and responsibilities.

Commodity Reserves

There is a second kind of food security. This is the assurance of commercial reserves sufficient to prevent food prices from rising to unacceptable levels when harvests fall short. This is not the kind of security which saves lives, but rather the kind which protects a certain standard of living.

A view is prevalent that, because food prices rose this year, this meant that the United States did not have sufficient commercial reserves to meet the needs of cash customers abroad. It did not mean this at all. The truth, in fact, is quite the opposite. Our exports were at record levels.

For example, the United States has made a vigorous and conscientious effort to maximize the export availability of wheat. We have kept our markets open and our supplies available to all buyers on a completely open basis. This policy has been maintained despite a substantial domestic price increase at home. In doing this, we were able to provide for new as well as traditional customers.

We do believe, however, that importing countries and private interests should not assume that the United States Government can and will maintain commercial reserves adequate for all customers under all conditions.

Means should be found for customers to share commercial stockpiles and assure themselves of adequate stocks. There is no reason that grain producing countries, for example, should carry commercial reserves for all the world's potential paying customers. And there is certainly no reason why one or two countries, the United States and Canada for example, should perform the lion's share of this role.

We believe that all nations should cooperate in the exchange of information on weather, crop yields, acreages, production and stocks. There is an obvious need for such improved information on food grains, but there may be a need for comparable data for feed grains, oilseeds, and non-grain foods. FAO's early warning system is a step in this direction. Its coverage needs to be extended and more detailed information from various countries should be made available.

The Individual Farmer

I fear that, in the current wave of food discussions around the world, too little attention has been given to the importance of the individual farm operator--and the decisions he makes. In my country, the whole question of food security finally comes down to the farmer and whether he will produce, whether he and his family benefit by producing, and whether he has the physical and financial tools necessary. The incentives may be different in other countries, but I doubt it. I question whether this historic factor in world survival has been successfully repealed anywhere.

In the United States, we have been working very hard to make it possible and profitable for our farmers to produce. We have done this

through new domestic programs that enable farmers to manage their own farming operations in the most profitable ways. We have eliminated the acreage set-aside for 1974. Market prices are at levels which provide a real incentive to produce. We are continuing our efforts, at home and abroad, to assure our farmers of continued market growth. We are continuing to give high priority to adequate credit, education, research, communication and the other essentials that contribute to high food production.

Market growth is very important. We are asking our farmers to expand production on the basis of expanding world outlets. The farmer who planted wheat in the United States this fall, for example, knows very well that, even in an ordinary year, his American consumers will take less than half of his crop. So he is looking for assurances that the growth in world markets is real and that he will be able to share in that growth--without artificial restrictions and without subsidized competition.

As we join in efforts to attain a new level of food security for the world, let us be aware that we have begun an important negotiation under the General Agreement on Tariffs and Trade. Let us remind ourselves that an element in any planning for future food security must include provisions for a trade system that permits efficient agricultures to grow, in order to better serve the expanding needs of consumers around the world.

These are some of the practical considerations that my country feels should be taken into account as we approach a World Food Conference in 1974. We consider it essential to have flexibility and freedom in the world system of agricultural production and trade.

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One of the items that has come up for considerable discussion at the Food and Agriculture Organization (FAO) conference in Rome has been the question of world food security. There has been a lot of worry in recent months about the ability to supply food to the developing nations; about the ability of the nations of the world to take care of distress areas as currently occur in Western Europe or in Bangladesh or South Vietnam or places like that.

There are two kinds of world food security that we need to consider. The first is supplies of food and ability to deliver them that will relieve hunger and even starvation in most places of the world where that occurs. The second is some system of food production and distribution that will iron out these periods of great surpluses and seeming shortages of food that we seem to have right now.

I think the basic problem here is somehow to get more price stability in foods than now exists. We have talked in the FAO conference about an international food reserve. The United States' position is that we will participate in that kind of reserve so long as it remains under national sovereignty. We need a better system of information collection and dissemination about food needs and food supplies. We need some international items about the level of reserves that should be maintained. And I think we need better coordination of our food relief efforts around the world. Presently there are too many nations involved in unilateral food aid.

We need somehow to coordinate this and to extend this aid on a multi-national basis. I think that will come out at the FAO conference in Rome.

Excerpts of Remarks by Secretary of Agriculture Earl L. Butz at an interview session with newsmen in Rome, Italy, Nov. 14, 1973, during the meeting of the Food and Agriculture Organization of the United Nations.

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NEWS

U. S. DEPARTMENT OF AGRICULTURE

FOR RELEASE AT 12 o'clock noon, Wednesday, November 21, 1973

NATIONAL PROGRAM BEGUN TO PROVIDE FARMERS ONE-STOP SERVICE, SECRETARY BUTZ ANNOUNCES:

WASHINGTON, D.C., November 21--A nationwide program is being initiated to modernize the U.S. Department of Agriculture's outdated field office system by establishing local U.S. Agricultural Service Centers to provide farmers, ranchers, and rural citizens up-to-date "one-stop service," Secretary of Agriculture Earl L. Butz announced today.

In an effort to provide maximum service at single locations, USDA is initiating development of local U.S. Agricultural Service Centers to update the Department's existing 15,000 field offices which now function in many different organizational structures, the Secretary explained. A Steering Committee chaired by Under Secretary J. Phil Campbell has been established to direct the new program and the Office of Field Operations has been established under direction of Edward H. Hansen to carry out its objectives, he said.

The program will involve approximately 7,800 offices at the local or county level in similar geographic areas operated by the Agricultural Stabilization and Conservation Service (ASCS), Farmers Home Administration (FHA), the Soil Conservation Service (SCS), and the Federal Crop Insurance Corporation (FCIC), Secretary Butz explained. Administrative committees in each state composed of the State Directors of the four agencies will develop plans which will vary according to geography, transportation network, farm population, workload and other factors.

"We do not anticipate this program will force separation of any personnel. Dislocations will be minimal," he emphasized.

Secretary Butz said establishment of Service Centers will "carry out the mandate of Congress spelled out in the Rural Development Act of 1972" which calls for location

of all units of the Department concerned with rural development in single field offices and "the interchange of personnel and facilities in each such office to the extent necessary or desirable to achieve the most efficient utilization of such personnel and facilities and provide the most effective assistance in the development of rural areas..."

The Secretary said the Service Center program will also carry forward a USDA effort begun 11 years ago which achieved some co-location in 54 percent of counties with USDA offices. However, he said the degree achieved lacks uniformity and does not achieve maximum efficiency. He added that USDA has learned through its experience so far that the effort is a worthwhile one.

"It's time we brought our field delivery system forward into the 1970's with concentration of services in single field offices at the county level wherever possible, the elimination of marginally effective offices, and groupings where more efficient services to farmers and rural residents can be achieved," the Secretary said.

"We've asked farmers to use new farm programs and go all-out in food production next year, so we in government have a concurrent responsibility to go all-out to give farmers the most efficient and streamlined service in the field that's possible," the Secretary said.

"This is impossible with our present field structure. Most of it has grown up independently of other agencies since the 1930's and there's little of the coordination we should have. As a result, most farmers have to run all over town to do business with us. In this modern age, that's inexcusable."

The Secretary pointed out that with farms growing larger in size and farther apart, farmers are planting and harvesting more acres and need more time to concentrate on selling in the marketplace. "They have less time to spend running

from one place to another because of an outdated USDA office system," the Secretary explained.

In addition, the Secretary emphasized the need to reduce confusion among rural citizens who seek assistance from USDA in housing, community facilities, water and sewer, and industrialization programs. A streamlined county-level office structure should enable rural citizens to get comprehensive and more specialized assistance at one location at the local level.

Secretary Butz said the Department is already reorienting its administrative capability in Washington to provide farmers and ranchers a more effective field delivery system. Establishment of new offices will permit USDA at the local level to provide more technical assistance, more information and other services not now feasible with a widely-dispersed, multiple-agency field office system, he added. Upgraded communications capability, computer terminals, and modern business equipment are planned for each office.

He said the Service Center program will:

- permit a fuller range of services to farmers, ranchers, and rural residents at each local office;
- reduce client travel in many cases by eliminating multiple office visits;
- integrate mutually supportive programs;
- allow a fuller range of technical expertise a county-level site rather than state or regional;
- enhance the effectiveness of field employees through broader knowledge of USDA programs;
- reduce duplicated overhead costs;
- and centralize equipment use.

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MILK, MANAGEMENT, MARKETS, AND MONEY

American agriculture is truly our most dynamic industry. In 1972 net income from farming rose to \$19.7 billion, the highest in history. And we're in the process of leaving that record far behind as net farm income for 1973 rises to \$25 billion--\$5 billion above 1972.

That's great. It's a tremendous accomplishment that farmers have made themselves--with a minimum of help from the Federal Government--and it points the way to new and better opportunities in the days ahead.

But no industry is uniformly prosperous. That's especially true of agriculture, made up of so many diverse component parts.

Dairymen, feed grain producers, livestock producers, feeders, fruit and vegetable growers, and others are all part of the same industry--agriculture. Yet each of them, taken singly, may be doing better or less well than other segments at any given time.

Take your industry. The dairy industry is coming through a time when it is beset by high feed prices. This means your product prices have not always risen as much as the rise in feed costs and other items of production. Many of you have not shared in the increasing level of prosperity to the same extent as grain producers or some other segments of agriculture.

Yet, by contrast, at times the dairy industry has been relatively better off than some of the other sectors. There have been times when feed grain prices were on the ragged edge of production costs. Hog prices were low. Cattle prices were low. And when the feed grain producer was

Address by Secretary of Agriculture Earl L. Butz before the National Milk Producers Federation, San Francisco, California, November 27, 1973, 8:00 A.M. PST.

distressed the dairyman was doing better. There have been times when the milk check did meet the mortgage payments and the monthly expenses of keeping the farm going.

And so it goes. The cow-calf operator in Alabama rejoices when the price of calves is high. Yet the feedlot operator in Texas wants the price of calves to be lower.

What I'm saying is--in this vast and complex industry we call agriculture, let's not be too hasty to see the whole industry through the narrow vision of our own immediate situation.

Let's recognize that even within the dairy segment of agriculture many different situations keep one geographical section of your industry from enjoying the same degree of prosperity as others. There are built-in inequities of climate, land, transportation, and other resources that whittle away the profit from one set of dairymen while seeming to enhance the profit opportunities of another group.

For example, the Northeast is beset with a tremendous transportation problem. It has been with us so long that it can no longer be considered just a temporary aberration. Compounded by impending shortages of fuel, the transportation problem is likely to be a major headache for farmers in the Northeastern United States for some time.

In the Northwest, drought has taken its toll, compounding the feed cost problem and further eroding profits.

Lingering effects of Hurricane Agnes have affected the entire Eastern Seaboard, particularly in the Northeastern States. Nearly everywhere, low quality forage, high feed prices, and a shortage of rail cars, have upset the equilibrium of the dairy industry.

Throughout the nation, the combination of all these, plus difficult labor problems, including a shortage of skilled labor and high employment opportunities elsewhere, are causing many one-man dairy operations to go out of business.

A lot of one-man dairy operators are asking themselves if it's worth being tied to a job that gets them up early seven mornings a week while their city cousins remain warmly snuggled in bed. They question if it's worth the effort of working long hours seven days a week while their cousins in the city work shorter hours and only five days a week. And the temptation to chuck it all and take on a job in the city grows even stronger when a dairyman realizes that he's within driving distance of that job, and wouldn't even have to move off the farm.

I can sympathize with the dairyman facing such a problem. I think the American people also would sympathize with him, if they had a little better understanding of the dairyman's problem.

I am convinced the American people would be concerned if they were fully aware of the faster than usual liquidation of dairy cows. Those cows aren't all being absorbed into larger dairy herds. Many good cows have gone to the block under the attraction of high beef prices and the relatively unfavorable feed-cost milk-price ratio. A lot of dairymen have seen this as an opportunity to cash in while meat prices are attractive, and have gone out of the dairy business entirely.

The American people would be concerned if they knew that milk production per cow, in June of this year, dropped below a year earlier for the first time since 1966, and is continuing down. Last month, milk production per cow was 797 pounds compared with 810 pounds in October 1972. Milk production per cow for all of 1973 could very well drop below the 1972 average of

10,271 pounds--the first annual drop since back in the 1940's.

High feed prices have induced many dairy farmers to cut back on grain feeding. Some are not adding enough protein supplement to their dairy rations. And many farmers have depended more on pasture and forage this year, which, without supplemental grain feeding, makes less milk.

The proper response to a concern is to lay the problem out on the table, take a good look at the facts, and then find a solution.

The faster than normal decrease in cow numbers is directly related to the high cost of feed, hay, and concentrates.

The lowered output per cow is also related to high cost factors. As the quantity and quality of feed and forage improve, and the price of concentrates levels off or decreases this problem will partially right itself.

The decrease in total milk production focuses attention on the marketplace, which will ultimately guide dairymen in making their individual decisions.

The future looks bright for those who stay in dairying, or for those who choose dairying in the future. A major reason is that alternate ways of earning a living will draw off a lot of the competition. A lot of people just don't want to work that hard 365 days a year.

Many dairymen have already quit the business. There were five times as many dairy farms in the United States 20 years ago as there are now. The decline has averaged about nine percent a year for the last eight years.

But for those who continue in dairying there are some strong signals of better days ahead. One of the real hopes of relief in the dairy industry has been the increasing per capita fluid milk consumption which has reversed a 25-year downward trend. This is the most profitable outlet for dairy production.

Last year, consumer expenditures for dairy products totaled \$17.6 billion, up five percent from 1971. Increased consumption accounted for most of the increase. Retail prices rose only about one and a half percent.

Nationally, consumers' per capita disposable income rose seven percent last year, making it possible for consumers to buy dairy products using only 2.2 percent of their income. Each year this figure moves a little lower, having dropped about one-third in the past 10 years.

In 1972, dairy products accounted for 14 percent of consumers' expenditures. The average wage earner worked 69 minutes per week to earn the dairy products in the national market basket of foods--about three minutes less than in 1971.

If this trend can be continued, or even extended, and the percentage of fluid utilization increases, then prices and profits to dairymen will automatically increase.

On the cost side of your ledger, the increases in the production of feed grains and soybeans in 1973--and the still larger increases we are projecting for 1974--will make corn and soybeans more readily available to dairymen and livestock feeders.

The evidence is strong that American farmers are efficient enough and enterprising enough to compete with farmers anywhere in the world on an even-stein basis. This is a position of your USDA. This is the position that the Administration consistently supports in international trade negotiations and discussions.

American dairymen can compete with the dairymen of Europe. It is true that New Zealand dairymen, who feed substantially more grass and very little grain, can sell at a lesser price than in America and still make a profit. But the supply of dairy products from New Zealand is limited.

We need and can use more dairy products. That's why the decreasing cow numbers and lower production per cow concern us and concern consumers. Stocks of dairy products are down substantially from a year ago. We are importing some dairy products because there just aren't enough available here.

On October 31, President Nixon authorized emergency temporary import quotas for butter and butteroil. The quotas are for 56 million pounds of butter and 22.6 million pounds of butteroil. Earlier the President had authorized imports of 180 million pounds of nonfat dry milk. These earlier special quotas have now terminated, and the latest special quotas will end on December 31.

For the first time in many years the Government doesn't have substantial stocks of butter and cheese and nonfat dry milk imposing a ceiling over the market, stagnating trade, and serving as a disincentive to production. Such stocks operate as an effective ceiling on dairymen's profits. This Administration is attempting to get the government out of agriculture.

I have just returned from a series of productive meetings in Europe. And when the question was asked me, as it invariably was, about whether European dairymen would have an opportunity to compete for U. S. markets, I told them very frankly that we believe in open, honest competition.

This Administration is prepared to put the matter of quotas on the negotiating table, but we're not going to give them away. We'll fight to prevent the dumping of subsidized dairy products in the United States.

I have taken a strong position in favor of countervailing duties to avoid unfair competition in our markets. In other words, if we liberalize import quotas in the United States, we must have some companion mechanism that protects our farmers against the threat of subsidized competition.

U. S. farmers are willing to compete with French farmers, but not with the French government or the government of any other country. Nor should they be asked to.

This matter of countervailing duties is one which should command the careful study and support of dairymen and other agricultural interest.

There can be no rational alternative to freer trade. If we were to restrict American agriculture from selling to the world market, the shock waves would destroy our domestic economy. It would dangerously cripple the nation's progress toward peace and an open society. And it would push our balance of payments back into the red just as they are beginning to climb firmly into the black.

The American dairy industry is a vital part of American agriculture. It, too, looks to opportunity for higher incomes and growth through responding to expanding demand, rather than adopting the defensive posture of reliance on government regulation and dominance. The growing emphasis on nutrition and improved eating habits--with increasing market prices--puts the dairy industry in the driver's seat in assuring an adequate supply of good, wholesome milk. To do this, we must keep the industry profitable.

Looking ahead, through the end of the decade, it is obvious that the best way to keep the industry profitable is by minimizing the participation of government, protecting the dairy industry against unfair dumping by other countries, and by helping U. S. dairymen get increasing income in a free market.

Our past experience with government-manipulated markets has invariably ended up with the accumulation of surpluses which have been price, and profit, depressing.

The future of dairy farming will depend greatly on the dairy industry's ability to build and maintain sales. The fluid market would appear at this time to offer the greatest potential for growth.

I pledge the support of this Administration to help create and maintain the kind of domestic market and trade environment in which the dairy industry can prosper through its response to signals from a free and unfettered market.

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Advance for Release at 6:30 A.M., EST Tuesday, November 27, 1973

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U.S. Department of Agriculture
Office of the Secretary

Advance for 6:30 A.M. EST
Wednesday, Nov. 28, 1973

WHAT PEOPLE SAY ABOUT FOOD AND FARMERS

We have a tradition in agriculture. We like to do research before we tackle a problem.

If we are a farmer, we like to try a new technique on a few rows or on a few acres to see how it works. We look to the State Agricultural College to test a new ingredient on a few head of livestock. Before we buy a commercial product, we want proof of performance.

This research approach, as much as anything, sets American agriculture apart. It is one of the main reasons why our productivity per man hour in agriculture has been increasing twice as fast as output per man hour in industry. It is one of the reasons why our unmatched agricultural productivity has released a large share of our people from the land and has freed them to produce other things besides food--thus making us the most affluent nation in the world.

The results that we have seen today from PACER's national survey of public understanding about food and agriculture are in the tradition of agriculture's research approach.

This survey has told us some important things that we have suspected, but didn't know for sure. And it has given us some real surprises--and some shockers.

This PACER research conducted by the nation's six professional agricultural communicator associations will be most helpful to all of us in agriculture. It shows what information programs we need. Where they should be aimed. And how to get the most from our information dollar.

Address by Secretary of Agriculture Earl L. Butz at the first annual meeting of PACER, Inc., Blackstone Hotel, Chicago, Illinois, November 28, 1973.

If this survey does only one thing, I hope that it gets us off the track of believing that the path to public understanding and sympathy is to "poor mouth" farming. It is high time that we quit riding that dead horse. The facts from this survey--and I call them facts because this is a scientifically designed and conducted national survey--show that farmers aren't being blamed for high food prices.

People don't think that farmers are making too much money. On the contrary, more than half of the non-farm people say that farmers are less prosperous than average--eight out of 10 say that farmers get smaller returns per hour than their city cousins--people think that farmers get a smaller share of the food dollar than is the case--nearly half of the non-farm people say that farm prices were too low in the 1962-72 period--only 19 percent say that farm prices were too high in 1973--only 6 percent say that farm incomes were a cause of 1973 food price levels--and the non-farm public regards low farm returns as the most important problem in agriculture.

The PACER survey shows that farmers are highly respected. The personal qualities that we all recognize and respect among farmers are recognized by the general public as well, and are appreciated.

Tote them up: The non-farm public says that farmers are

--harder working.

--more friendly and helpful.

--more dependable.

--more productive.

--and more concerned about the environment than non-farm people.

We don't have to go around repeating those things to the public. All we have to do is live up to those descriptions. If we do, the public will find out. After all, we as farmers live among the non-farm public. We rub elbows with public citizens every day. They see how we work; how we live. They know when we're dependable, and when we aren't. The non-farm public knows that farmers get out in the field or the barn early, and that they work late and on weekends. They know that farmers aren't goldbricking on the job. And they give farmers credit for it.

So we can get on to other things in our information programs on behalf of better public understanding of agriculture.

I would like to congratulate the public for two of its very astute observations. First, 74 percent of the public says that inflation is the No. 1 main cause of rising food prices. Second, the public says overwhelmingly--82 percent--that the very first thing that should be done to assure reasonable food prices is to cut government spending to control inflation. I applaud this perception--and we're trying to do something about that in agriculture and in the Department of Agriculture.

In fiscal year 1973 we cut government farm program payments by more than a third; next year we will cut them nearly 90 percent. Government holdings of farm surpluses of wheat, feed grains and cotton that amounted to about \$2-1/2 billion worth a few years ago are down to less than \$100 million now--a 96 percent reduction. We don't want to build them back. Farm program payments that took more than 40 percent of the USDA budget a few years ago may be down to less than 5 percent next year. We're doing something about cutting government costs.

We should let the people know that rising costs of food assistance to the public, which took around a third of the USDA budget awhile back, will likely account for more than two-thirds of the USDA budget in another year or two. That's not an agricultural farm program-- that's a people assistance program.

What the public doesn't know very well are some other economic facts of life, particularly about agriculture.

The PACER survey shows that the housewife living in a Northeastern Central City apartment has a very low recognition that one of farmers' main problems is making the money necessary to meet the rising cost of farm equipment. Even if she does know it, she probably isn't going to make the connection of what it all means to her. She isn't likely to translate that big equipment into getting the crop in, economically, quickly, and on time--even in late and troublesome planting seasons-- so that she can be assured of a plentiful, reasonably-priced food supply.

She isn't likely to think that having the equipment on hand in order to harvest quickly to cut down weather losses--and having the fuel to dry the crop on the farm--have an effect on the quality and the price of the food that she buys down at the supermarket.

The survey shows that the Northeastern Central City housewife isn't likely to think that eating out more--as people are, where the service often costs more than the food--affects the statistics that she reads in tonight's newspaper on the cost of food. She rates "eating out" 19th among 20 possible reasons for increasing food costs--and 67 percent of the non-farm public say that it's "no cause at all" of 1973's level of food prices.

The survey also shows that while housewives recognize that the conveniences that are built into food are a factor in the cost of food, 27 percent say that they are "no cause at all" of higher food costs. We know that despite the built-in conveniences--and their cost--that the American housewife gets her food for less of her personal income than in any other country in the world.

Even that might not impress her. She might say, "So what. I don't live in France, or Japan, or India or in Russia. I live here, and food costs me too much!" Still, consumers in those countries envy the American housewife who has such a plentiful supply of wholesome, nutritious food for such a small part of her income.

As you know so well, those of us in agriculture sometimes catch flack for saying that food in the United States costs less than 16 percent of the average disposable income--the lowest in history. Mrs. Consumer is likely to say, "To heck with that. Mine costs me more!" Food does cost a lot of people more. If the average is 16 percent, then there are people paying more, as well as less, or we wouldn't have that 16 percent average.

So we need to level with the people and tell them that while food may cost some of them more; that we are only using an average because we need some yardstick with which to measure progress in this country through time, and with which to compare our circumstances with other countries.

This is no different from similar kinds of measurements. The average per capita income of non-farm people will be about \$4,200 in 1973. But some will make more and some less. The per capita income of farm people in 1973 will average about 88 percent of the non-farm level--after averaging 73 percent in the 1962-72 period. Some have done better, some worse.

Average non-farm wages per hour were \$3.65 per hour last year. Ten years earlier they were \$2.22 per hour. The average wage went up 64 percent, while food prices were going up 37 percent. Medical care costs went up 59 percent, and housing 41 percent. But the PACER survey shows that 48 percent of the non-farm public thinks that food prices went up more than wages in that span; 20 percent thought they went up at about the same rate; leaving only 27 percent who realized that wages had gone up faster than food prices in that 10-year period.

As an example of how these PACER survey results zero in on specific audiences, they show that the people most inclined to think, incorrectly, that food prices went up the most in 1962-72 are non-farm women from the Northeast with less than a four-year high school education and less than \$5,000 family income, who live in a central city metropolitan area and are between 30 and 39 years of age.

We in agriculture will need to keep working to get the plain facts before the public. Each one of us is a walking public relations representative of farmers and agriculture. Our job is not to paint the wrong picture, but to paint the truth.

When 41 percent of the non-farm public says that a main cause of rising food prices in 1973 was "the government pays too much to farmers to keep land out of production," we ought to ponder. We have been down that road for too many years. It has been a path of disappointments--high costs, surpluses, depressed prices, acreage controls, and a bad public image.

I hope that we have turned that around--and I hope we don't turn back. The majority of the public--66 percent of both farm and non-farm people--favor taking all government planting restriction off farmers.

Well, that's what we're doing. This year farmers had available to them an extra 40 million acres for unrestricted use; next year, they'll have another 19 million acres. Who has done more to respond to the 1973 rise in inflation? The best antidote to inflation is higher output, and that's exactly what farmers are doing--increasing production. New all-time record output in 1972, 1973, and no doubt in 1974. Yet informal surveys of the Office of Communication in the USDA show that a high proportion of the public doesn't know that.

There are some shocking things in this survey. Two of them strike me at the moment.

The first is the heavy proportion of the non-farm population who think that something ought to be done about food prices. The most important thing to do, the public says--after cutting government costs--is to restrict the sale of farm products to foreign countries. Seven out of 10 of the non-farm people feel that way--now that's a challenge for an information program on economic understanding!

We all know that we are desperately short of energy, and that we need to import fuel if we are going to escape hardship. You can look around you and find dozens of foreign-made products that add to our enjoyment and affluence. The reasonable prices of these imports moderate our cost of living. But how are we going to pay for them unless we have something to ship overseas? And what better way do we have to pay the bill than to export farm products from our highly productive agricultural plant?

The records show nothing comparable. We are running a heavy deficit in our balance of payments in industrial products--we're buying a lot more than we are selling.

It's quite a different matter with farm trade. This fiscal year we will export around \$19 billion worth of farm products, and about \$10 billion of that will likely be a favorable balance--\$10 billion more money coming in from farm product sales than is going out for food imports. Without that favorable balance of trade from farm products, the dollar would be in very serious trouble. Our world monetary credibility would suffer. Inflation would run more rampant. Imports would cost you more. Our ability to achieve diplomatic progress would be blunted. Our national power, if you will, would be weakened.

Well, I'm sure that you know that. But does the consumer in Chicago know it? Does the working man in Detroit know it? Does the school teacher in Atlanta know it? Does the professional man in Seattle know it? The PACER survey shows that many of them don't.

They all put pressure on their Congressmen and the Government to "do something." In this case, they want us to cut back our farm exports--thus idling our farm plant where the products from one harvested acre out of four is ticketed for overseas. This would run up government farm program costs and increase the tax load. It would make food production less economical here--and in the long run, would raise consumer food prices, reduce the number of jobs in shipping, processing, marketing, banking, and other activities in the nation's commerce.

Those are some of the dimensions of the information job we must get done. We must let the people know, in a way that is interesting, and in their own self interest, what this great, productive agricultural plant means to them. And how some of the proposed tinkering with the machine would be counterproductive.

Another shocking statistic from this PACER study is the number of people who think that profits on corporations should be controlled in order to make food prices more reasonable. Great Scott!--69 percent of the people favor this action.

The food industry is one of the most competitive businesses around. If there is extra "fat" in food business profits for someone, he can expect a competitor to be right on his tail in the morning finding a way to take away some of that business and soak up some of that "fat" profit. It's competition that keeps down the extra costs in food--or in anything else. That's the way to keep a business trim and slim, productive and efficient. No government control program ever did as well.

The profit in any business is the carrot that keeps the business trying to be productive--and it is competition that takes care of excessive returns.

Our economy is on trial in the public mind. Our whole system is on trial. Even 41 percent favor ceilings on farm prices.

What we are talking about is market allocation versus government allocation of resources. It's the allocation arising from the decisions of millions of Americans expressed in the market every day--literally the consensus of billions of decisions made daily--versus the decisions of a few bureaucrats made slowly after a lot of fuss and red tape. This is not a reflection on bureaucrats. It's just that no man--no matter how competent and well-intentioned--is as smart as the combined judgment of the people expressed daily in the market.

When I was in Moscow last year, Agriculture Minister Matskevich went with me to see Premier Brezhnev. Matskevich was interested in getting a larger allocation of resources from the Soviet government for agriculture. I was there because Matskevich's government-allocated agriculture had failed to feed the Russian people, and they wanted some of the excess grain from our market-allocated, profit-incentive agriculture.

Market allocation is a simple economic concept, but it is little understood. People who call for government allocation and rationing often don't stop to realize that market prices ration goods, too. There's seldom enough of everything of value for everyone to have all he wants, and never enough money for the individual to buy all of the things he wants, so the pocketbook and the price of the product ration the supply for everyone.

Somehow, the idea gets around when something gets scarce or the price goes up that the way to cure it all is to institute government controls for market guidance of the economy.

What you really need, as has been demonstrated again in agriculture in 1973, is a price signal to encourage greater production. When we flirted with price ceilings on meat, we discovered that you don't get more by bidding less--you get more by bidding more. Then competition will keep businesses efficient and profits reasonable. It's a simple concept, and it's what makes this country tick. It works in agriculture and food production, too, as well as in other businesses. As I told other nations at the FAO meeting in Rome a few days ago, no one has ever found a better way to provide plentiful, reasonably-priced food than our profit incentive system.

The only way to provide food for the future and keep young people on the land is to make farming attractive and profitable--so that they can see the prospect of a decent car, of running hot water, air conditioning, a comfortable home, time for recreation, and an education for their children, just like other people. In this survey, 94 percent of the people say that the family farm ought to be preserved. Well, the only kind of family farm that can survive--and continue to bring plentiful food to the public in the future--is one that is attractive enough economically to hold young people in farming.

More than four people in 10, the survey shows, think that there will be a food shortage in this country 10 years from now. That is a legitimate concern unless farming is profitable enough to maintain the kind of capital in the business that will keep farming efficient and competitive--and which will entice the resources that will be required to meet the rapidly rising demands for more food from the same number of acres.

It will not be easy. It will demand public understanding. It will require prudent policies arising from better understanding. And it will call for the best of us to expend the best in us on behalf of better information programs.

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USDA 3623-73

Advance for 6:30 A.M. EST, Wednesday, Nov. 28, 1973

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U.S. Department of Agriculture
Office of the Secretary

Advance for Release at 6:30 A.M. EST
Wednesday, Nov. 28, 1973

WHO WILL WRITE THE HISTORY OF GOOD?

These are times when the history of GOOD does not dominate the news. It seldom does. The pages of man's history are filled with strife and struggle, with crisis and conflict, with disaster and disgrace. This is essentially the history of BAD.

Yet, through the centuries, and especially through recent decades, man has also been writing the history of GOOD. Sometimes it's not very clearly stated. Frequently it's not well articulated. Often it is obscured in the shadow of the bold headline that proclaims the bad and the sordid.

But the history of good is there, day by day, working tirelessly to advance the cause of Peace on Earth, and Good Will Toward Men of every clime and every color.

WHO WILL WRITE THE HISTORY OF GOOD?

I spoke recently before a university audience. I held up for the audience that morning's newspaper. The front page was dominated with headlines on the bad. The right side was filled by Watergate. The other side of the front page featured a distress story about higher education in that State being in severe administrative trouble.

I then asked the crowd--Has anything good happened the last day that should have been reported in this newspaper? I rather facetiously turned back to page 2, to page 3, and to page 4. I did not see what I was looking for.

Address by Secretary of Agriculture Earl L. Butz at National 4-H Congress, International Ballroom, Conrad Hilton Hotel, Chicago, Illinois, November 28, 1973, 12:00 Noon, CST.

Then I returned to page 1--and there in the lower lefthand corner was a picture taken in Moscow of Secretary of State Henry Kissinger standing with Soviet Foreign Minister Gromyko and Soviet Ambassador to the United States Dobrynin. They had just worked out what was to become the formula for peace in the Middle East.

That picture, almost pushed off the front page, was the substantial news of the day. The diplomatic accomplishment back of that picture will be the real news five years from now. Indeed that picture will be the lasting news 50 years hence, when what made the headlines of bad in that paper will be less than a paragraph--a mere footnote--in the pages of history.

There is a real history of good to be written as it is enacted daily by all of us in these United States.

Yet, in these troubled times, many of us frequently fail to seize the opportunity to write the history of good.

The substantive history of good tends to be overshadowed by the contemporary history of bad. Usually the contemporary history of the bad is a passing thing--it is transitory.

The history of good is not transitory. The history of good remains. We build on it from generation to generation to generation. That is the history of America. If that were ever true, it is true today--in spite of what may have occupied the dominant space in the morning paper.

This is a GREAT Nation because it is a GOOD Nation.

This is a GOOD Nation because of our form of government.

It is democratic, and it is representative. It works in spite of a few imperfections here and there, but it has far fewer imperfections than any other system we can compare it with. It is more shockproof than any other system.

This is a GOOD Nation because of our concept of human dignity--the worthwhileness of every individual human being.

Government exists essentially to serve that individual human being and to enhance his happiness and his welfare. That fundamental precept is written into our basic philosophy, and into the articles which form the foundation of our government.

This is a GOOD Nation because of the freedom it gives to the human mind.

It is good because of our freedom of inquiry and our system of universal education. This philosophy was deeply embedded into this country in our founding days by the great intellectuals who put this Nation together.

Thomas Jefferson was among the greatest of those early Americans, because of his dream of what America could become. I am inspired even now to visit the Jefferson Memorial in Washington and to read the words chiseled in the marble inside the rotunda of that monument. That inscription is one of Jefferson's great writings: "I have sworn upon the altar of God, eternal hostility against every form of tyranny over the mind of man."

Jefferson was not speaking of the tyranny of kings, the tyranny of dictators, or the tyranny of despots. He was speaking of the tyranny of ignorance, the tyranny of prejudice, the tyranny of superstition, the tyranny of half-truth, the tyranny of untruth.

Many of those tyrannies float about today threatening the very fabric of which this Nation is made--the freedom of inquiry and the right of the mind of man to dream, to grow, and to achieve. Our continued goodness as a Nation will depend upon our success in thwarting such tyranny.

USDA 3626-73

This is a GOOD Nation because our literature and our founding documents constantly remind us that we are a Nation under God.

Some crusaders have tried to take God out of our schools, out of our government, and even out of our national life. But He has not yet been taken from our Pledge of Allegiance. He remains as a part of our literature, our philosophy, and our national heritage. He remains for many of us as a great source of personal and national strength.

When I take a quarter from my pocket, I find inscribed on it the words, "In God We Trust." That same inscription is on every coin and every piece of currency you carry. In no other nation around the world have I seen on their currency or their coin or their postage anything like "In God We Trust," "In Allah We Trust," or "In Buddha We Trust." This basic trust in a Supreme Deity is a fundamental characteristic of the United States of America. It provides an extraordinary source of power and inspiration for all of us who would use it.

While only a little over half of the American people are official church members and still fewer attend church regularly, somehow the effect is felt by all of us as a Nation.

As a result, we have a fundamental faith that America is more than just another nation. It is a nation with a destiny--a great destiny. That destiny finds expression in the many forms of progress which have made the United States the world's most productive and most powerful nation.

I meet frequently with groups of young people who tend to be critical of the progress made by my generation. They ask--Why did you leave us this legacy of distress and conflict with which we live? Why do we still have racial problems and pockets of poverty and unemployment and all the other problems played up by those who would write the history of bad?

I am NOT particularly ashamed of what my generation has accomplished in America.

It has given us the best level of eating in the history of the world. It has given us the highest consumption level of animal protein. It has cracked many technological barriers to put science to work for the improvement of human happiness and human welfare.

My generation has put this nation on wheels. It put electricity and central heating and air conditioning in your homes. It brought you the marvels of television and radio and communication via satellite.

My generation has raised the level of health in this country. We see no hunchbacks anymore, because we have eradicated bovine tuberculosis. Undulant fever is virtually gone, because we have eliminated brucellosis from our dairy herds. When I was a youngster, we always expected to find a couple of families with kids out of school because there was a sign on their door at home that said "Quarantined--Diphtheria Here" or "Scarlet Fever Here." We have eliminated that.

A sizeable percentage of you sit here today, healthy and vigorous--instead of being a statistic in the courthouse--because my generation wiped out polio, and typhoid, and scarlet fever. We drastically cut childhood mortality by eliminating diseases that a generation or two ago would have claimed a fourth of you before age 20.

My generation brought you modern plumbing. I did not grow up with five rooms and a bath. I grew up with four rooms and a path. You now find that situation only at the cottage on the lake--and even there it is so unique you kind of brag about it.

My generation made it possible for people on welfare in America to live better--in terms of electricity, running water, central heat, indoor toilets, radio, television, automobiles, public health, education, and other physical things--than the top third of the people in most other countries in the world.

There is something very right--and good--about the generation which did that.

I am proud of my generation's record in agriculture. We have made great progress in the job of satisfying man's most fundamental need for food. After all, in many respects, the history of mankind is the history of the quest for food. The quest for food lies back of many of the armed conflicts that have engulfed nations in our lifetime, and indeed throughout the history of the world.

America leads the world on the food production front.

It was Mahatma Ghandi, over a quarter century ago, who remarked that "Even God dare not approach a hungry man except in the form of bread." There is no point in talking to starving people about human freedom or human dignity or democracy. When a man is starving, the first thing on his mind is attaining his daily bread. Americans have learned how to speak the language of food around the world, and to use it as a powerful tool in the kit of international diplomacy.

I am proud of my generation's record in achieving world peace--particularly in the past two years. This nation's leadership has recently made perhaps more progress than has previously been made in my lifetime toward the establishment of the fundamental conditions from which lasting peace is made.

We have rapport with the world's second most powerful nation--the nation that is gaining on us in productivity and in relative strength. We have established rapport with the quarter of the world's population that lived behind the bamboo curtain--whom we have pretended for 30 years were not there. We have now cracked open the doors of communication--not wide, but at least there is a crack in the door and it's widening. We have ended American involvement in Vietnam with honor. Our prisoners of war are home. We have led the march toward peace in the Middle East. Our food production potential was a critical asset in all these negotiations.

You Can Write The History Of Good.

Big challenges await you who, if you so choose, can write the next chapters in the history of good.

The energy problems which confront us today present such a challenge. For just a moment, let me explore with you a new dimension of that challenge. Agriculture is basically an energy converting industry. One of the agricultural aspects of the energy problem is the conversion of radiant energy of the solar system into a form we can use--into the form of food. Very frankly, our record in this area could stand substantial improvement.

One summer afternoon a few years ago back at Purdue University, as I saw the sunshine through my office window, I wondered how much energy hits an acre of land each day. I phoned the Dean of Engineering, who was once a professor of thermodynamics. I asked him to give me an idea, in terms I could understand, of how much solar energy lands on an acre of land on an average day.

He made a quick calculation and responded--"Energy roughly equivalent to 4 tons of coal for one day."

Then I asked him another question: Assuming we have an 125-bushel corn crop from that acre, how much energy is that equivalent to? He figured everything into it and responded--"Energy roughly equivalent to 4 tons of coal for one year." Then I had a concept I could grasp.

In our best agriculture, we have learned how to capture in one whole year as much energy as God pours on that acre every day. We think that is pretty good. As a matter of fact, it is pretty lousy. We capture only 1/360th part of that energy--less than three-tenths of one percent.

As you contemplate writing new chapters in the history of good, turn your imagination loose for a moment. If we can learn how to double corn yields so we can get 250 bushels per acre, we can capture 1/180th part of that energy--or one-half of one percent. If we can learn how to quadruple corn yields to 500 bushels, we can capture 1/90th part of that energy--or roughly one percent of it. Yet, the remaining 99 percent would continue to pour down, free for the taking.

This may seem to be a very sorry record of energy conversion in agriculture. However, I am told that agriculture is by far and away the best converter we have of radiant energy from the solar system.

One prime reason America has such a remarkable history of good is that we are basically an incentive society.

We must better our performance in energy conversion and many other fields--and we will better it if we keep the mind of man free to dream, and keep the incentives there for dreaming.

America is great because of our insistence on the right of everybody to be different, to dissent, to achieve, to dream, to accomplish, to succeed, and to fail.

We have been a nation of entrepreneurs--of "money-makers." Unfortunately, we have seen our incentive orientation weakened in recent years. One instance is the case of the wage-earner who mans the production line in the assembly plant--where it may be difficult for him to associate in his own mind the relationship between his level of productivity and the profit system.

Yet, in practically every case that same worker is an owner of business--either directly as a shareholder, or as a life insurance owner, or as an owner of stocks and bonds in his pension fund. Therefore, it is very difficult to find any large group of people that are not affected directly by the success of the incentive system.

The incentive system works. Those of you who come out of essentially rural communities have seen this incentive system work firsthand on our farms which are typically family entrepreneurial units--with capital on the line, taking risks, working hard, not punching the 40-hour clock, not taking weekends off--always with the hope of making a profit.

Our incentive system has been and will likely continue to be under heavy attack. Yet, we learned painfully during last summer's experience with price controls that the incentive system is the fairest and most effective economic system. It is strengthened today because it was tested.

America is great because America has been a good neighbor in the world community of nations.

America poured in billions of dollars--and forgave billions more in debts--to help lift many nations out of the debris of World War II.

When distant nations are hit by earthquakes or famine or flood, it is the United States that hurries in to help. America has moved to prop up foreign currencies in danger of collapsing. America has helped rebuild the railroads of major nations when they were breaking down with age.

Indeed, America has a great history of progress and greatness--a proud history of good--of permanent good. On one occasion when Mrs. Butz and I were at the White House for dinner, the President was philosophizing about the accomplishments of his Administration. He noted that an historian who had just been in his office had said--Mr. President, contemporary historians will write the history of your Administration in terms of the end of the Vietnam war, that you brought the prisoners home, that you accomplished several things; but 50 years from now wise historians will sum up your major achievement in four words: "He went to China."

We are bringing to fruition the dream of the ancient prophet when he wrote that "some day we shall beat our swords into plowshares and our spears into pruning hooks." We are at the dawn of that day.

That is the history of good. That is the substantial history of America. Many things these days and in this Administration will become a chapter, a permanent chapter, in the history of good. We must accentuate those accomplishments, we must not let those chapters get lost among the footnotes of history that will ultimately carry the record of the bad and the sordid.

Those of you who are young Americans, each of you, owe much to the generations of good history writers who went before you. But you also owe much to the generations who will follow you. He will serve best who resolves each day to write a line in the history of GOOD. Some days, if he dreams well, he might even write a full paragraph. This is the history which will stand the test of time.

This is a Great Nation because it is a Good Nation. It is a Good Nation because so many of us, each in his own way, are writing the history of GOOD.

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USDA 3626-73



ARE WE REALLY EATING LESS MEAT?

The long-term trend in meat consumption is up. True, meat consumption will be down somewhat for 1973. But that is a short-term aberration in the long-term trend.

The slight reduction in per capita consumption of all red meats for 1973 is the unavoidable result of the disastrous price ceilings which sharply reduced available meat supplies in mid-year and which signaled some cutbacks in animals which would have come to market near year-end.

Meat consumption for the fourth quarter of 1973 will make remarkable comebacks from the unusual lows which came in the third quarter. Prospects for 1974 are for meat consumption to recover--as the industry recovers from the shock treatment it received in 1973.

The long-term consumption trend in this increasingly affluent nation is up.

We are driving more cars. We are using more gasoline (when we can get it). We are wearing more clothes. We are using more travel. We are taking more vacations. We are eating better--and that means we are eating more meat.

At the same time, we are paying relatively less for that better diet. Over time, the percentage of take-home pay spent for food has been constantly declining.

Twenty-five years ago Americans spent 25 percent of their disposable income for food. In 1960 it was 20 percent. It is now below 16 percent. Even with the price increases which consumers experienced this year--as a percentage of disposable income, food costs have held their own.

Address by Secretary of Agriculture Earl L. Butz before the Kansas Livestock Association Convention, Wichita, Kansas, November 29, 1973, 10:00 a.m., CST.

Demand for red meats in this country, down the road, is encouraging news for the livestock industry.

By 1985, the annual per capita consumption of beef in this country is projected to be 140 pounds--up 24 pounds from the 116 pounds consumed last year. Projected pork consumption for 1985 is 70 pounds--up from 63 pounds this year. Veal consumption should hold stable while lamb consumption may slip a fraction of a pound.

Total red meat consumption per capita should be at least 210 pounds by 1985--up from 178 pounds this year. Multiplying that jump in per capita consumption times the increased population for 1985 means total red meat demand will increase by twenty-five percent in just a dozen years. Even more significant for the Kansas livestock industry is the fact that about one-third more beef will be required by 1985.

Kansas sits right at the hub of pressure upon the livestock industry to produce enough red meat to fill our needs.

At the same time, growing affluence around the world is creating constantly increasing worldwide demand for meat.

Other world markets for meat are going to be very, very strong--for beef in particular. That is the situation today. For example, right now we have the gates wide open on the importation of beef. Not much beef is coming in, however, because the Japanese markets and other markets for beef are better than our market. That means we must satisfy domestic demand for meat mainly with our own production.

Every Kansas livestock producer--the entire livestock industry in fact--faces a substantial challenge in increasing meat production to meet demand. Increased production of beef--the greatest source of increased demand--will not come easily.

We cannot shift any more from veal to beef. We have fully exploited that source. We are already feeding out nearly every calf that can hold a mouth full of feed. We only eat about two pounds of veal per person each year now.

We cannot shift much more from dairy to beef. Dairy cow numbers are now at an almost irreducible minimum if we are going to maintain our milk supply. While dairy cattle numbers continued to come down this year, that decline is expected to slow. Therefore, no significant shift from dairy to beef production seems possible.

We cannot greatly increase cow numbers in the West. Cattle numbers are at the practical limit in the intermountain areas--and in the Western Great Plains--because we are using all the water available. Water is the limiting resource in that particular area.

We cannot increase cow numbers very much in the level areas of the Midwest. Corn and soybeans are king in the Cornbelt--and wheat and sorghum bid strongly against cattle for land in the semi-arid part of the Great Plains.

We cannot easily increase cow numbers further in the South. Beef cattle numbers have increased rapidly in several Southern States in recent years. While further expansion is possible, the easy expansion in the South is past.

We cannot expect much increase in the Northeast. Forage is in short supply in that region--with space and feed supplies also tight. That which is available is needed by the Northeast's dairy, poultry, and existing livestock industry.

What do these prospects mean? They mean that added beef production will be difficult. They mean that the kind of beef production increase the market will be demanding will be at the margins. Such production will cost more--and it will come forth only if satisfactory prices provide the incentive.

Our economy simply must put more money on the line to attract resources into beef production.

That will also be necessary to increase total red meat production--or we simply will not have more meat. It will take strong beef prices to induce the veal producer to feed any more of his calves to 1,000 pounds for beef instead of slaughtering at 200 pounds for veal. Even big price increases, however, will have little impact. The potential just is not present.

It will take strong beef prices to encourage marginal dairy farmers to switch from dairy to beef. Yet dairy production has tightened to an extent that little added beef production is likely to be forthcoming from this source, at any reasonable price.

Higher beef prices will be necessary to make it pay to irrigate or to transport water or to drill new wells for cattle production in the West.

Higher beef prices may make forage production a relatively better profit bet than crop alternatives in the Cornbelt, in the semi-arid Great Plains, in the South, and in some of the Northeast. But those price increases must be more than just pennies, and they must appear to be lasting, with enough certainty to merit expansion of beef herds which may take at least two years--and perhaps five years--to yield significant increases in beef production.

The livestock industry definitely has potential to be one of the growth sectors of American agriculture. It has strong prospects of being one of the best profit sectors of American agriculture.

There will continue to be ups and downs in feeding. The cattle cycle will continue--even if prices tend to maintain at a higher level. On the average, the cow-calf operation should offer satisfactory profit prospects.

The hog price cycle will continue--but the trend line is up. It is clear, however, that abundant pork supplies will be produced only if pork prices are sufficiently strong to make pork production a good profit bet for farmers.

The challenge of red meat production has been laid down to American agriculture. Demand is there. Our people want red meat. I think they know they will have to pay for it. The job now is to produce it.

We must seek more efficient ways to produce meat.

That will take research in livestock production. Such research must become an increasing priority within the Department of Agriculture, in the minds of members of Congress, among our Land Grant Colleges, and with the industries which are a part of livestock agriculture.

Your organization's support of sound animal research will be very important. One important need is to improve feed conversion ratios. Granted, we have made substantial progress in recent years. Yet, we must do better.

Look at poultry production. Cattle and hog producers think they have achieved good conversion ratios; but--the poultry industry has achieved a figure of 2.1 pounds of feed per pound of gain. It is not inconsequential that in the last 25 years per capita poultry consumption has more than doubled.

Our per capita pork consumption is only slightly above what it was 25 years ago--and beef consumption has not quite doubled in that time. American consumers like beef and they also like pork. We have not doubled our poultry consumption just because we like to chew on a chicken wing. The fact is--chicken has just been a darn good buy. It has been a good buy because poultry production became highly efficient. It has built on science and research.

That is the kind of work we must do in the livestock business. We must catch up with the poultry industry. If we can do that, red meat production will meet demand--and consumption may spurt even more than we now project.

Research can increase livestock productivity in many ways. Economical means must be sought to effectively increase twinning in beef cattle. In pork, instead of getting 15 pigs per sow each year, we need to get 25. We need to find effective ways for more of our brood ewes to produce more than just one lamb each year.

We must help the nation come to its senses on environmental constraints. Concern over our environment is well founded. Farmers, after all, were the original environmentalists. However, our people must strike a tradeoff which makes sense in matters concerning the environment.

Effective poisons or other means of predator control are one prominent example. People must decide whether they prefer the howl of the coyote to an economically priced sirloin or lamb chop. At a time when meat demand will strain against supplies--and when all farm costs are increasing--every calf or lamb devoured by a coyote represents higher prices ranchers must receive when they sell their calves or lambs in order to cover their costs and to earn sufficient profit to keep producing.

People must decide whether they prefer the absolute safety of a total ban on DES (diethylstilbestrol)--to the relative safety of DES-fed beef and lamb which is of the same high quality, but more abundant and more reasonably priced.

People must decide whether they want to seriously curtail the use of antibiotics in livestock feeds, if such action curtails farmers' ability to put more abundant, economical, and healthful meat in the retail counters.

People must decide whether they want to place cost-increasing restrictions on the location and on waste-disposal processes of livestock feeding operations. If so, they must expect to pay the added costs which will necessarily accrue to livestock producers.

These are decisions which the general public must make. The question really is this: At what point, for economic or other reasons, will we let objective science take dominance over the emotionalism connected with some of these environmental matters?

Our people want red meat. They have a tremendous and growing appetite for it. Look at what they have been paying for it now--and eating twice as much as they used to.

Our people shall have red meat. That red meat will be forthcoming: if we improve the efficiency of meat production; if society unties livestock producers' hands immobilized by severe environmental constraints, and lets animal scientists dream; and if we keep a profit out there on the range, in the farrowing house, and in the feedlot so that it pays the livestock producer to meet this challenge.

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Advance for Release at 6:30 A.M., EST Thursday, November 29, 1973

USDA 3622-73

U.S. DEPT. OF AGRICULTURE

JUL 13 1900

AMERICAN AGRICULTURE MUST EXPORT TO LIVE

American agriculture stands at the hub of the world market for food and fiber. In turn, exports are vitally important to American agriculture.

The American agricultural plant is geared to produce substantially in excess of this Nation's capacity to consume. That fact is unquestionable.

There are three ways of dealing with our excess capacity: (1) we can curtail farm production; (2) we can expand domestic consumption; (3) we can maintain farm exports at a high level.

Curtailing farm production is neither an effective nor an acceptable means of dealing with our excess production capacity.

For the greatest part of the last 40 years--and especially during the 1960's--we sought to curtail farm output in an effort to maintain higher than competitive prices. The objective was to improve farm income.

That approach has not worked satisfactorily. We have maintained higher than competitive prices, but we have not adequately bolstered farm income.

Why not? The body politic failed to recognize that economic theory and political practice are not one and the same in the realm of farm programs.

Income is the result of price, times volume, minus cost. Foodstuffs are said to have a fairly inelastic demand because demand for foodstuffs is relatively constant. As a result, when the volume of available food decreases, food prices increase proportionally more than the volume of food decreases. In reverse, when the volume of food increases, food prices usually fall proportionally more than the volume of food increases. Theoretically, then, by curtailing output prices should increase more than the volume is decreased, and thus farm income should improve.

Address by Secretary of Agriculture Earl L. Butz at the Indiana Farm Bureau Convention, Indianapolis, Indiana, December 10, 1973, 12:00 Noon, EST.

In practice, it just does not work that way. There is no flaw in the economic theory. The problem is political. The Congress simply has never had the courage to legislate farm programs with the tough controls necessary to be most effective. Furthermore, farmers have never really expressed much inclination to stomach such controls had the Congress enacted them. Besides we have as a matter of policy had the government store a surplus which served as a constant ceiling on farm prices and prevented the market from performing adequately.

The inescapable conclusion of our 40-year experience is that a policy of "government-created scarcity" is clearly not the best way to deal with the excess production capacity of American agriculture in order to strengthen farm income.

Increasing domestic consumption is an important but limited solution to agriculture's excess capacity problem.

The current level of affluence in the United States makes extensive programs to increase consumption unnecessary. The biggest economic boom in American history is doing that.

There is one exception--those individuals at the very low end of the income spectrum. We are serving that need through a very expansive and expensive food assistance program. It is now a permanent policy of the United States to supplement food expenditures of low income Americans.

In other words, that segment of demand has now been made effective, and it will remain so. Yet, even the continuing and increasing demand stemming from society's affluence and from substantial food assistance programs will not be sufficient to absorb the full measure of American farm productivity.

A vigorous and growing export market is vital to an economically sound and prosperous agriculture.

We currently export a sizeable share of several major farm commodities: nearly three-fourths of our wheat, half of our soybeans, one-fourth of our feed grains, more than one-third of our cotton and tobacco, two-thirds of our rice, half of our cattle hides.

Farm exports for Fiscal 1973 totaled \$12.9 billion. That amounted to the production of one out of every four harvested acres and is equivalent to about one-fifth of farmers' yearly cash receipts from marketings. In Fiscal 1974 farm exports may be in the neighborhood of \$19 billion.

Without strong export market outlets for our products, farm income would plummet. Rural America would suffer disastrously, and tens of thousands of rural people would flock to the cities.

A sizeable farm export market is important to the entire Nation.

Millions of workers employed in the industries related to agriculture--farm suppliers, handlers, transporters, processors, and merchandisers--would flood the labor market looking for work if we were to lose our farm export market. Maximum farm production creates jobs throughout the economy. Nearly 40 percent of our work force is involved directly or indirectly in agriculture and its products.

Loss of our farm export market would make it necessary to cut farm production by nearly one-fifth in order to avoid tremendous waste and avert a farm depression. It would also eliminate about one-fifth of all agriculturally-related jobs. That loss would amount to 8 percent of the Nation's work force--which, at the outset, could triple unemployment in this country, a disastrous consequence.

Full production agriculture, which sizeable exports make possible, enables farmers to lower the average unit cost of production through higher volume. That means better incomes for farmers, abundant food at moderate prices for consumers, and reasonably priced foodstuffs for people around the world who seek to eat better by buying in the American market.

Cutting exports, and thus restraining production, would mean less income for farmers as well as shorter food supplies and higher food costs for consumers. That approach would also either let people around the world go hungry or forfeit to other less efficient food-producing nations the opportunity to earn the profits and to increase employment from food production.

Farm exports are a principal source of the Nation's foreign exchange. The chief reason is that the United States is the best place in the world to buy farm products over the long run. We have every intention of continuing to fulfill that role. As a result, farm exports are the best hope we have for maintaining the value of the dollar abroad.

A vigorous agricultural export business enables us to obtain from abroad the items of trade which have become so essential to this nation's standard of living.

Oil for energy is the most well-known example, and today the most urgent concern. Beyond the present problem of reaching agreement with oil-rich nations to sell oil is the problem of paying for that oil. We do not purchase that oil with the currency of Iran or Libya or Saudi Arabia or Venezuela. We do not print those currencies in this country. We pay for oil with soybeans and wheat and cotton and hides and the other items of our agricultural abundance.

The same is true for the small cars we import, the electronic equipment, the cameras and recorders, the coffee and tea, the bananas and olives. Our capacity to export farm products clearly makes it possible for us to import what we need, what we want, and what we have grown to expect.

Furthermore, the capacity of this nation to export food has been and continues to be a major factor in our efforts for peace. It played a major role in achieving what has become a beneficial and effective detente with the Soviet Union. It was a warming factor in breaking our long period of icy silence with the People's Republic of China.

Consequently, our food-producing genius became a very important factor--indirect though it may have seemed--in achieving a peaceful settlement to the war in Vietnam. Certainly our food abundance helps to maintain the detente which gave the United States an atmosphere in which to build peace in the Middle East.

The question is really not whether we must have agricultural trade--the question is how we will do it.

Tomorrow's trading relationships are being defined right now in Geneva, Switzerland, where representatives of more than 100 nations are gathered for the Seventh Round of negotiations under the General Agreement on Tariffs and Trade. These are the most important and far-reaching trade talks since the Kennedy Round began 10 years ago.

The expanded European Community is busily extending trade preferences to nations in the Mediterranean, Africa, and even South America.

The Congress has not yet acted on a new trade bill--but it will when it resolves questions relating to diplomacy, jobs, the health of the dollar, and our approach in relating to the world's developing nations.

Questions arise in this environment regarding how trade will be conducted. Will we have open trade--with low trade barriers that permit goods and services to flow freely according to market demand and comparative advantage? Or will we have administered trade--with trade and production patterns established under international agreements between countries and groups of countries?

The type of trading arrangements established will make a great deal of difference to American agriculture.

Open trade enables us to take the offensive--administered trade is defensive.

I favor taking the offensive. The historical contrast between soybeans and peanuts is one clear example of why I do not find much promise in the defensive approach.

At one time, both peanuts and soybeans contributed about equally to farm income. Both are oilseeds that produce protein meal and oil. Both are widely adaptable to United States farming areas.

Peanuts took the defensive approach. The Government set up acreage controls, high support prices, an import quota, and an export subsidy--all in the name of helping peanut growers.

Similar "help" was proposed for soybeans--but farmers avoided such defensive measures. Soybean producers instead took the offensive road to opportunity and growth by producing for expanding markets.

Look at the results. Soybeans have become the major source of added protein for a protein-hungry world. Soybeans are America's most valuable crop--grown on 57 million acres this year and contributing nearly \$7.5 billion to 1973 gross farm income. Most important--Government program costs for soybeans are nearly zero.

Peanuts on the other hand, which compete for the same markets and also have the candy and peanut butter market besides, are planted on just 1.6 million acres. Their contribution to farm income is only about one-half billion dollars. Yet, Government costs have run close to \$100 million annually in recent years--with a sharp upward cost trend.

Soybeans took the offensive, the open route, sought markets--and won. Peanuts took the defensive, the administered route, ignored trade--and lost.

Open trade fits our competitive, incentive economy--administered trade is based on the great leveling process.

The United States has traditionally favored freer, more open trade. That is natural. It fits our basically decentralized market economy where individuals are free to earn more and to reap the reward of greater effort.

Many other nations favor the great leveling process. The European Community is heavily committed to administered trading. While the Common Market has open trading within its expanding membership and offers special trade relationships to certain third nations, it seeks to avoid open trading with non-affiliated nations. The centrally-planned economies of the Communist Bloc nations challenge an open trading system since they can conduct trade in ways which other nations cannot.

Open trading encourages effective use of resources--administered trading distorts resource allocation and results in stress, inefficiencies, and shortages.

Open trading lets the law of comparative advantage function--that means production will occur where goods can be produced most efficiently. That means greater total output at less cost than any other system of determining who shall produce what. The specialization that results brings added efficiency and leads to even greater output and higher incomes. That makes possible a higher standard of living for more people, in this country and around the world.

Open trading encourages production of the things people want, when they want them. Open trading reduces problems of scarcity and surplus since world production tends to be more stable than that of individual countries.

Under administered trading, consumers have to wait longer for what they want, settle for less of it, and generally pay a higher price when they get it. Since industries usually have to bow to the demands of the market in the long run anyway, administered trading simply postpones the day of reckoning.

As Americans, we ought to understand how counterproductive administered trading can be. We have painfully gone through Phase I to Phase IV. Administered trading would simply be Phase III 1/2 raised to the tenth power.

Keeping agricultural and industrial trade negotiations firmly hitched together is a must if we are to achieve open trade.

Some of our major trading partners--the Common Market and Japan particularly--want to negotiate their industrial and agricultural sectors separately because they want to protect their highly subsidized agricultures. Such nations want lower trade barriers for their industrial goods while they continue to protect their agriculture.

To agriculture's sorrow, we gave in and agreed to such a separation in the Kennedy Round. Barriers on manufactured goods were lowered--but our farm products were held back from Western Europe, Japan, and other markets. This unwise strategy in the Kennedy Round contributed heavily to our recent balance of payments problem and our dollar devaluations.

We must be wise enough in the current round of GATT negotiations to consider the trade matters related to agriculture in the mainstream of those negotiations. After all, agriculture remains our largest industry, our largest employer, our largest exporter, our largest contributor to economic stability, and a critical tool of negotiation in world peace.

Only open trade will give American agriculture the opportunity it seeks and the American economy the stimulation it needs. Administered trading leaves our farmers as pawns in the leveling process--and further stifles our already control-weary economic system. That open trading can only be achieved if agricultural and industrial trade negotiations are considered together.

American agriculture clearly must export to live. Without exports, the health of the farm economy would be sadly jeopardized.

Furthermore, the Nation would suffer--in terms of our own supply and cost of food, in terms of jobs, in terms of our ability to buy from abroad, in terms of our economic stability, and in terms of peace.

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Advance for Release at 6:30 A.M. EST, Monday, Dec. 10, 1973

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A REALISTIC LOOK AT FOOD RESERVES

The question of world food reserves is a hot one. It is on the minds of leaders from the courthouse to the United Nations. It is being discussed in supermarkets and over radio talk shows--and it will surely be debated in a resolutions session at the American Farm Bureau Federation's January meeting in Atlantic City.

Because the subject of food reserves clearly has the world's attention, it merits the kind of thorough discussion that can place it in rational perspective.

How did we get where we are today? I shall not go back to Year One to trace--in plan or in practice--the historic development of food reserves. Instead, let us begin with the historic Farm Bloc in the Congress.

The Farm Bloc's intentions were noble and its objectives were acceptable to others in the Congress. As a result, it was successful in legislating a sizeable and powerful government mechanism to bolster the economic strength of farmers.

As that mechanism changed over the years, it had greater and greater impact on the production and marketing system of several agricultural commodities--wheat, feed grains, and cotton in particular.

The price supports which were a key part of nearly every farm program inevitably led to excessive production. That called for government action either to take the surplus off farmers' hands or to pay them for storing it. Thus, as a direct result of our price supports, the government got into the grain storage business in a big way.

Address by Secretary of Agriculture Earl L. Butz at the Tennessee Farm Bureau Federation Convention, Nashville, Tennessee, December 11, 1973, 11:15 a.m., CST.

To make a long story short--and to leave out several spicy political chapters--the United States government, gradually and largely by accident, backed into the role of holding the world's food reserves.

Government-held grain stocks became the commercial reserves for the American food industry, for the grain trade, and for other nations--Uncle Sam, in a sense, managed the residual food inventory for the world.

Those stocks kept growing, and management became a costly burden. So Uncle Sam came forth with Public Law 480--or Food for Peace--and we became the food relief agent for the whole world.

The longer we assumed both roles, the less inclined other nations were to be concerned about commercial reserves or to be ready to extend themselves in times of need. Because serving both these roles kept the United States from having to reckon with an outdated domestic farm policy, we continued to fulfill the role.

Those days are now about over.

Long before the 1970 turning point, farmers understood that it was no longer the old Farm Bloc setting the ground rules and pulling the administrative levers on farm programs. Urban interests, consumer interests, welfare interests, and labor interests had become the muscle behind the political majority. Cheap food became much more important in the overall consideration than farm income. Farmers, as a result, found the government creeping more and more into the driver's seat in American agriculture.

The Agricultural Act of 1970 made possible a shift from excessive government domination back toward solid market orientation in farming.

The Department of Agriculture--in response to a surplus-weary Congress and a cost-sensitive public, and in line with its own philosophies--was determined to get out of the grain storage business. We were also determined to compete on the world market. We set out through Federal food programs to eliminate hunger in America--and in so doing we activated food demand in the low-income end of the economy.

At the same time, other things were happening--devaluation of the dollar, growing worldwide inflation, increasing world food demand, fishmeal shortages caused by tide changes, and bad weather in several parts of the world. All of these put pressure on food supplies and helped our government successfully get out of the grain storage business.

Since the United States government does not now hold grain stocks, the world has suddenly become conscious of the need to think about food reserves.

Some alarmists have lumped together all of their fears about food supplies and are intent upon establishing a massive world food bank. That oversimplified analysis is inadequate.

The issues involved are complex and focus on three key questions:

- 1) How should emergency food reserves be provided for use in international disaster relief?
- 2) How should sufficient stocks of food be maintained for commercial use around the world?
- 3) What approach should the United States take to meet long-term food supply needs?

There is urgent need to develop an effective, multi-national system of reserves to meet genuine crises where food supplies are required to lessen genuine hardship and prevent starvation.

The United States has been providing this kind of disaster food security through Public Law 480--nearly \$25 billion in food aid since 1954. We have met this need even in times of short supplies--nearly \$900 million in this fiscal year in fact.

America is fully committed by the very nature of our people, and by expression of our will through legislation, to continue aiding the needy around the world.

Yet, it is high time for the world community to make arrangements to spread the responsibility and opportunity for food aid and relief more broadly among nations. The prevention of hunger and starvation is a moral responsibility of the leaders of all nations, developed and underdeveloped. I believe that most nations prefer to join in a multilateral approach to meeting this responsibility.

There is virtually universal agreement around the world that maintaining reserve stocks of food for commercial use is wise and necessary--the question is how to do it.

Worldwide, people seek assurance that sufficient commercial reserves will be maintained to prevent food prices from rising to unacceptable levels when harvests fall short. This is not disaster security--it is the kind of security which protects a certain standard of living.

The nations of the world seem divided into two camps on the question of how food reserves for commercial use should be maintained.

One school of thought proposes an international food bank essentially to manage reserves, to dictate how much each nation should put into it, and to decide when reserves would be released--how, to whom, in what quantity, and at what price. Such a system might include maximum and minimum world prices as well as some form of strict commodity agreements. It probably would place actual ownership of the commodities under some form of international jurisdiction.

The second school of thought favors international sharing of information--to assess surplus and deficit situations, and to furnish guidelines for nations to follow as they choose their own courses of action. This approach would leave management of food reserves under the jurisdiction of each individual country. Buying nations would retain the responsibility for maintaining their own reserves. This approach recognizes that the real food supply problem is obtaining adequate production to meet the needs of the world.

I favor the second approach.

An international system of stock accumulation, ownership, and control is not the best way to meet the commercial food needs of the world. If a fixed pattern of supply commitments and a centrally-controlled inventory system had been in effect this year, United States farmers would not have expanded output as they did to supply world needs. Had our farmers been producing for such a rigid system, without the flexibility to respond to markets, the supplies of food produced by United States farmers would have been much smaller than they were.

The United States is one of the few nations in which farmers can respond meaningfully when price signals throughout the world call for increased production. An international cartel which would stifle that signal would be counterproductive.

The United States is the world's wealthiest nation and the world's best supplier of food. Any global food reserve therefore--no matter how it might be constituted--would tend to be carried substantially by the United States, with the risk financed heavily by the United States.

Importing countries and private interests no longer assume that the United States government can or will maintain commercial reserves adequate for all customers under all conditions. No international body should assume that our government will maintain the world's commercial reserves either. Yet, that is precisely what could happen if a global food reserve were implemented.

Each nation should determine its best means of maintaining adequate food stocks for commercial use. Government-held reserves may be the best alternative for centrally-controlled economies, developing nations, and substantially food deficit nations. Government-held reserves are entirely consistent with the philosophy of a centrally-controlled economy. Other nations, and certainly this one, look at the issue differently.

Without question, the United States should assist sound international efforts to provide improved supply and demand information, as well as other guidance, to enable both buyer and producer nations the world over to successfully plan for and be prepared to meet the future commercial food needs of their people.

I can assure the world that, as long as there is adequate incentive for our farmers to produce for demand stemming from any nation's plan to build reserves, our farmers will produce for that demand.

The long-term food supply needs of the United States would not be met by a government-held food reserve.

The real source of the American consumer's concern about food during the earlier part of this year was food prices--not food supply. Food purchasers simply did not want--and in a few cases refused--to pay food prices they considered too high. As a result, unwise price controls were imposed--which signaled production cutbacks and some temporary withholding from the market. But there was no food shortage.

Unquestionably, bad weather and production shortfalls around the world increased the demand for United States farm products--but production was increased to meet that world demand without creating any real food shortage here at home. The other major causes of food price increases were in no way related to food supplies. They stemmed from conditions completely outside the domain of food reserve policy.

One primary factor was devaluation of the dollar. Devaluation made American food a better buy everywhere--and the world bought. That was not a supply problem. There is no way any food reserve, in this nation or elsewhere, could have prevented the upward effect devaluation had on domestic food prices.

A second key factor was worldwide inflation. The level of prices of all products the world over was rising. American food prices were not immune. Storage, by anyone, could not stop inflation.

Increasing world demand for food was the third primary cause. Increasing incomes, here and abroad, were expressed in increased demand for more and higher quality food. Storage could not in any way have alleviated that force's upward impact on domestic food prices.

Consumer prices for food, even without the short Soviet wheat crop or the severely limited anchovy catch, would have risen markedly because of devaluation, general inflation, and increasing food demand.

No potential food shortage threatens this country.

This is a huge country, with vastly divergent climates, and with the world's largest land mass with rich soil and regularly abundant rainfall. These factors make this nation virtually immune to national crop disaster.

This is an incentive economy--not a controlled economy like much of the rest of the world. Food reserves in an incentive system are held by individuals, by farmers, by the grain trade, and by food processors. That is part of good business procedure in some cases--and part of the economic function of some firms.

No sensible homemaker feeds her family from shopping bag-to-mouth. We learned that last summer when home food stockpiling and home freezer purchases became front page news.

Livestock producers turn more and more to planning ahead for grain supplies--and, frankly, that is the kind of sound business practice which a good livestock man should follow.

Grain producers themselves hold much of our food reserve, and they will continue to--as long as the markets are allowed to function to enable farmers to earn some profit by storing reserve supplies. When government-held surpluses served our reserve function, much of that storage was actually on farms. The Federal government merely paid the storage cost. There is every reason to assume that pattern of farm storage will remain and expand with the storage costs coming out of the marketplace.

The grain trade always has a sizeable reserve in its pipelines--from the farm gate to the shipping port or the mill. The grain trade is also in the storage business. In the past, government payments have brought income to the grain trade for storage. Now that income is coming from the market. The trade may have to work harder and take more risks to meet its commitments, but that would be healthy. In the past, the government has made it easy for the grain trade.

Clearly, both farmers and the trade will hold much larger stocks in the absence of government-financed reserves than they will in competition with government reserves.

Likewise, the food industry can do a more effective job of planning ahead to have available--by contract or storage--food products to meet its needs. Food industry firms will do so--if the government does not do the job for them. They want to maintain their market--that is where their profit comes from. They want to lock in that profit and, if necessary, they will do it by stockpiling raw product in advance--or contracting for it--just as they already do for other ingredients. That is the kind of reserve which is needed throughout the food industry.

Food reserves held by government can never be perfectly insulated from the market.

Buyers know they are there, and it is grossly unfair to expect farmers to produce in excess of projected annual requirements and then be penalized by the depressed prices which government-held stocks produce.

Bureaucrats--and politicians--seem unable to resist the temptation of using reserves to manipulate the market, either in times of accumulation or in times of sale.

Farmers should not be fooled by promises that a system can be designed to protect farmers from a premature release of stocks. Any set of rules would certainly be subject to change--especially in light of public pressures like those which prevailed in 1973, pressures which forced this Administration to impose counterproductive price controls. Farmers have seen the effect of releasing stocks before, in less stringent situations.

Consider the pressure that brought on last summer's price controls. If the government had maintained a food reserve, and if consumer pressure had instead been applied to lower the trigger price on grain reserves, then when the reserves came to market prices would have plummeted. That would have discouraged production (making farmers even more skeptical than they are about expanding output) and we would have been left with no reserve, no bumper crop, and no capacity to meet trade commitments.

On the other hand, if reserves are low, and if prices are high because of short supply, people will object to the price-increasing effect which replenishing public reserves would have. In the end then, even consumers might not be well served by such a government-held reserve. The entire economy would depend on it--but the body politic might object to its accumulation. Then we would really be in sad shape.

We must get over the idea that there is something evil about rises and falls in food supplies and prices.

Price and supply fluctuations are inevitable, at least as long as the forces of nature--weather and pests--prevail. Prices must be allowed to change. That is the only way necessary adjustment will come in an incentive economy. Government-managed reserves are not consistent with such an incentive economy.

On the other hand, government-held, and government-manipulated, reserves are consistent with the government supply-management approach to agriculture--which is short-sighted, restrictive, and higher cost. Furthermore, it restricts farmers' freedom and would leave farmers permanently at the mercy of politicians oriented to cheap food.

There is real danger, too, that--regardless of cost--Congress may move to reinstitute strict controls over farm production and output in order to guarantee cheap food supplies for urban voters--the first step toward making agriculture a public utility.

If formal food reserve policy is needed, it should be affirmative policy which would strengthen the American food production system.

It should strengthen farmers' ability to produce for market demand. It should strengthen the grain trade's and the food industry's ability to contract back through the system and farmers' ability to contract ahead. It should strengthen the market's ability to guide food production, movement, storage, and consumption by being free from counterproductive price controls. It should strengthen agriculture's productive capacity through sound research. It should strengthen farmers' efficiency by lifting unreasonable government controls on agriculture.

The whole question of food security finally comes down to the farmer and whether he will produce, whether he and his family benefit by producing, and whether he has the physical and financial tools necessary. This historic factor in our survival has not been repealed. Those who really are concerned about the supply of food--now and tomorrow--will bear this in mind.

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Advance for Release at 6:30 A.M., EST, Tuesday December 11, 1973

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IT'S A NEW BALL GAME

Farming just ain't what it used to be--even as recently as one year ago. Neither is the farm input picture, or the farm export market, or the political climate.

We have reached a significant turning point in American agriculture. We are in a new ball game, and that is clearly the overriding factor in the outlook for 1974.

In the last eighteen months, we have shifted from concern over too much farm production to the question of potential food and fiber shortages both here and abroad.

Realistically, there is no danger of food shortage in this country. The geography, climate, and resources of this nation make our crops virtually disaster proof. We need not fear having too little, nor do we need to wring our hands over means of disposing of too much.

There is great uneasiness internationally. Principal concern is over whether there will be enough wheat to meet world needs until the new harvest in the Northern Hemisphere comes in next year. World rice demand is up too. It is doubtful that excessive food grain supplies will soon plague us again.

There is also concern over whether there will be enough feed grains to meet the needs of the world's expanding livestock production, both in the short run and in the long run. While livestock production in this country is still recovering from the severe economic distortions of earlier this year, livestock production is increasing at an accelerated rate in other key countries.

Address by Secretary of Agriculture Earl L. Butz to the National Agricultural Outlook Conference, USDA Jefferson Auditorium, Washington, D.C., December 17, 1973, 9:00 a.m., EST.

For instance, Western Europe has a new pricing policy designed to stimulate the growth of meat production. Russia's plans to improve the Soviet diet are well known--and one bit of information our scientific exchange team recently brought back from Russia was the great potential which exists for expanding Russian poultry production. Expanding world meat and poultry production, in Europe especially, must be based--in part at least--on imported feed concentrates. It seems highly unlikely that feed grains and protein meal will pile up in America.

The cotton industry is being challenged now to meet fiber needs both here and abroad. For the first time in many, many years, our concern is not one of competition with man-made fiber. Rather, it is one of having enough natural fiber to meet demand. Man-made fibers are in fact suffering from severe constraints on the basic raw materials and energy required in fiber manufacture. Our cotton problem is no longer one of having too much.

This is not the first time we have felt we were in a new ball game with respect to growing demand--but this time it is real.

We felt that way during World War I. That was short-lived. When the war was over, farmers suffered as they adjusted. Right after World War II broke out, Secretary of Agriculture Claude R. Wickard coined his famous phrase--"Food will win the war ... and write the peace." It may have helped win the war, but it wrote a very uneasy peace--and a difficult adjustment followed for agriculture.

Similar optimism reigned in 1967 when it was argued that we faced a very rapid population growth with only limited food growth. We were quite concerned about those prospects and set out to feed the world--but our concerns turned out to be premature.

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We could be premature in our thinking this time--but conditions are different. This is not a war boom--in fact it comes after a war's end. The world now has the best prospects for peace that we have had in the lifetime of most of us.

Affluence is rising in the developed nations--people are eating better, they are shifting to protein foods, they have come to this nation for the basic stuff out of which meat and milk and eggs are made, and they will continue to come to us for it.

If we have a problem in agriculture--it is an input problem.

After years of struggling to find something to do with our output abundance, we now face head-on a tight input situation.

Farm machinery production has not been able to keep pace with demand. There are only 21 eight-hour shifts in a week--and even at that capacity farm machinery manufacturers have been hard-pressed to keep up with orders.

Fertilizer supplies are clearly tight--compounded because Government price controls on fertilizer were retained too long. The Department of Agriculture and the fertilizer industry are doing everything possible to see that ample fertilizer is available now and through the new crop year. But, even with success, fertilizer supplies are going to be tight.

Clearly, we are in the midst of a serious fuel supply situation. It comes at a very critical time for agriculture.

We have projected that 10 million-plus additional acres will be put into production in 1974. Assuming normal use and practices, 1974 fuel needs for agriculture--gasoline, diesel fuel, and liquified petroleum (LP) gas--will be greater than usual at a time when there may be less available.

The President and the Federal Energy Office have assured agriculture high priority among fuel users. For diesel fuel, agriculture has been given one of the very top priorities.

The Federal Energy Office understands that, when farmers need fuel, they generally need it right now. Yesterday it was too wet to work, and tomorrow it may be raining again. The "average" day, or season, or year never arrives in agriculture.

The Department of Agriculture has pulled out all the stops in helping farmers in this situation. We will do all we can to help farmers achieve the increased production we are shooting for despite the tight fuel availability.

Historically, farmers have been the nation's pioneer conservationists-- primarily of soil and water. Now, it is no less than the duty of each farmer and each person associated with agriculture to do his best to conserve as much fuel as possible. Agricultural production historically uses only 3 percent of the nation's energy, and generally that is used wisely. Few other industries have been so productive and so efficient. Yet there is more room to save, and we must do so.

A massive USDA campaign is well underway to help farmers find good ways to save fuel in an energy management program. Fuel conservation, if not a passion, has become the hot action program of the Department.

We at USDA will continue to do everything in our power to see that farmers get the fuel they need to accomplish the important farm production needed and expected.

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Another significant factor in this new ball game is our complete turnaround in the philosophy of agricultural programs.

After 40 years of increasingly heavy Government involvement in agriculture, we are now making very substantial progress in getting the Government out of agriculture.

For all practical purposes, the Government does not now own any commodities--except some oats in the Upper Midwest. The Government is no longer a major factor in the commodity market. Government-held surpluses no longer hang over the markets as the sword of Damocles--with neither farmers nor the trade knowing when some capricious decision by a Secretary of Agriculture may turn loose a great quantity on the market.

We are returning to farmers increasing freedom to exercise their own judgment in what they plant in response to market signals. The first substantial move in this direction came with the Agriculture Act of 1970--and the Act of 1973 completes nearly an 180-degree turn in the thrust of farm programs. Farmers now plant for markets--not Government storage.

We are well down the road to eliminating one great unknown that has made farm outlook so difficult for 40 years--namely, what will the Government decide tomorrow?

Through the years, skilled professionals have developed reliable techniques for predicting the normal forces of supply and demand, long-term changes in demand-supply relationship, and the response of producers and consumers to those changes. But through 40 years of heavy Government involvement in agriculture, we have never devised a body of rules to accurately predict Governmental decisions affecting prices, production, and markets.

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Even those who make those decisions cannot forecast them--because there is no realistic way to appraise the consumer and economic and political pressures, both national and international, to which decision-makers will be subjected.

We seek to keep the Government out of agriculture and place decision-making in the hands of rational entrepreneurs.

My concerns go far beyond decisions by some Secretary of Agriculture with regard to crop production or Government commodity storage. I am also concerned about food price ceilings, export embargoes, and fertilizer price controls. Society has learned the hard way that such measures are counterproductive, and I intend to keep up the fight to minimize any kind of Government manipulation in agriculture.

Turning the business of economic forecasting away from political soothsayers and over to objective scientists will place a new responsibility on those engaged in outlook work.

As Government string-pulling in agriculture is de-emphasized; as decisions affecting individual farmers are returned from the political forum to the marketplace; and as agricultural production decisions move more and more into the hands of individual farmers who are heavy risk-takers--it becomes increasingly important that farmers have the best information we can provide them dealing with economic analysis and forecasting.

This is critical considering their heavy investment in equipment, their heavy commitment of operating capital in production, their need to buy forward to assure themselves adequate supplies of production inputs, and their increasing tendency to sell forward to lock in what would appear at the moment to be a satisfactory price.

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Competent, professional economic forecasting will become more important than ever.

There are those who maintain that our outlook work has served its purpose and can be phased out. Just the opposite is true. This is the time when we need to sharpen our tools of economic analysis, to lift our vision over the international horizons, and to exercise more maturity of judgment than ever before as we assess the complex factors influencing market opportunities and responses for our producers.

American agriculture in the years ahead faces perhaps its greatest challenge in history. We must be prepared to meet the needs of our hungry and increasingly discriminating population at home. We must also be prepared to supplement and improve the diets of hundreds of millions of people beyond our shores--in order to fulfill our humanitarian instincts, in order to continue to provide America's principal source of foreign exchange, and in order to continue to be a principal block in the structure of international peace.

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HANDBOOK FOR THE HOME

All year long we try to live up to the original charge of Congress and President Lincoln--that of bringing useful information to the people.

Once a year the Department of Agriculture takes one extra step toward fulfilling that responsibility by publishing a yearbook fairly bursting with useful facts. This year is no exception.

This year's editor Jack Hayes reminds us that 60 years ago we turned out a yearbook with this timely observation:

"The housekeeper has been asking for information on many home matters. She has asked what is needed for an adequate diet. She has sought to know the wearing quality of textiles used for clothing and house furnishings, and the best methods of cleaning and preserving such textiles. She has sought help in water supply, plumbing, heating, ventilating, and lighting. She is looking for information about the comparative energy required for performing household tasks by different methods."

Does that sound familiar? How do the needs of the 1913 housewife and homeowner differ from the needs of today's family? Not so much, you might guess, based on that paragraph. But, of course, the means to satisfy those needs are radically different--for the better.

Remarks by Secretary of Agriculture Earl L. Butz, introducing the new Yearbook of Agriculture, Handbook for the Home, in the Patio, U.S. Department of Agriculture, Washington, D.C., December 18, 1973, at 2:45 P.M., EST.

This year's yearbook is a handbook for the home. American family life centers around the home, and so many of the family's questions must be answered there. How do you budget and keep records? How can you make your home safer, not only in terms of fire prevention, but in the care of food and the handling of pesticides?

How much can a family afford to spend on housing? What are the legal hurdles in buying a home? What about vegetable gardens, air conditioning, floors, a hi-fi system, sewing equipment, and improving our community? On and on, the questions arise--the kind of questions we probe in this handbook.

"Handbook for the Home" is the latest in a series of modern Agriculture yearbooks aimed at helping today's consumer whether that person lives on a farm or in the city. Remember "Consumers All," "Outdoors USA," "Food for Us All," and "Landscape for Living"...all practical guides that have been bought by the hundreds of thousands in recent years?

We're proud of this year's handbook and the people who contributed so much to its success. A lot of the authors are here today.

"Handbook for the Home" was not simply a product of the U.S. Department of Agriculture. Perhaps more than at any time in the past this yearbook is a product of the efforts of people all across the United States, in State colleges and land grant universities as

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well as in other government agencies. We need only pick up a copy of "Handbook for the Home" to remind ourselves that America's great resources of knowledge are found, not simply in Washington, D.C., but in rich veins that run throughout our country, close to the people.

In a very real sense, our yearbook is merely a token of the services that are provided daily by the people of our great institutions of learning throughout the country.

We recognize that this book is not the final source of information on the subjects that it covers. At the end of many chapters, we suggest other sources, thus emphasizing the scope of the help that is available to those who seek it.

Though Americans move a lot we are still a nation of homes and communities. It doesn't take long for the new family in the neighborhood to get involved in community affairs, often bringing rich experiences and successful systems from other areas to help their new neighbors. And, of course, it doesn't take long to get involved in the affairs of the home--improvements, maintenance, and so on. We think the 1973 Yearbook of Agriculture can help all who are involved in home life.

Symbolic of the kind of families that helped make America great in the past and are still helping America achieve her destiny today is the family we have asked to join us in announcing this yearbook. It is the William Strohmaier family that has just been named Maryland Farm Family of 1974 by the

Farmers Home Administration. Among the many achievements of the Strohmaier family was the remodeling of their 18th Century home in Rising Sun, Maryland. If we had known sooner, we might have asked them to write our chapter on remodeling.

We are giving the Strohmaiers a free copy of the 1973 Yearbook. Everyone else may obtain them either through his Congressman, while he has copies, without charge, or by buying them for \$5.70 at government bookstores across the country. Or by writing the Superintendent of Documents.

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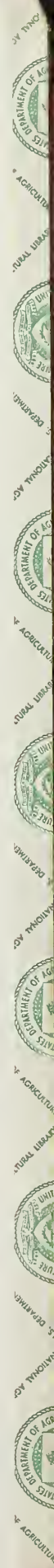
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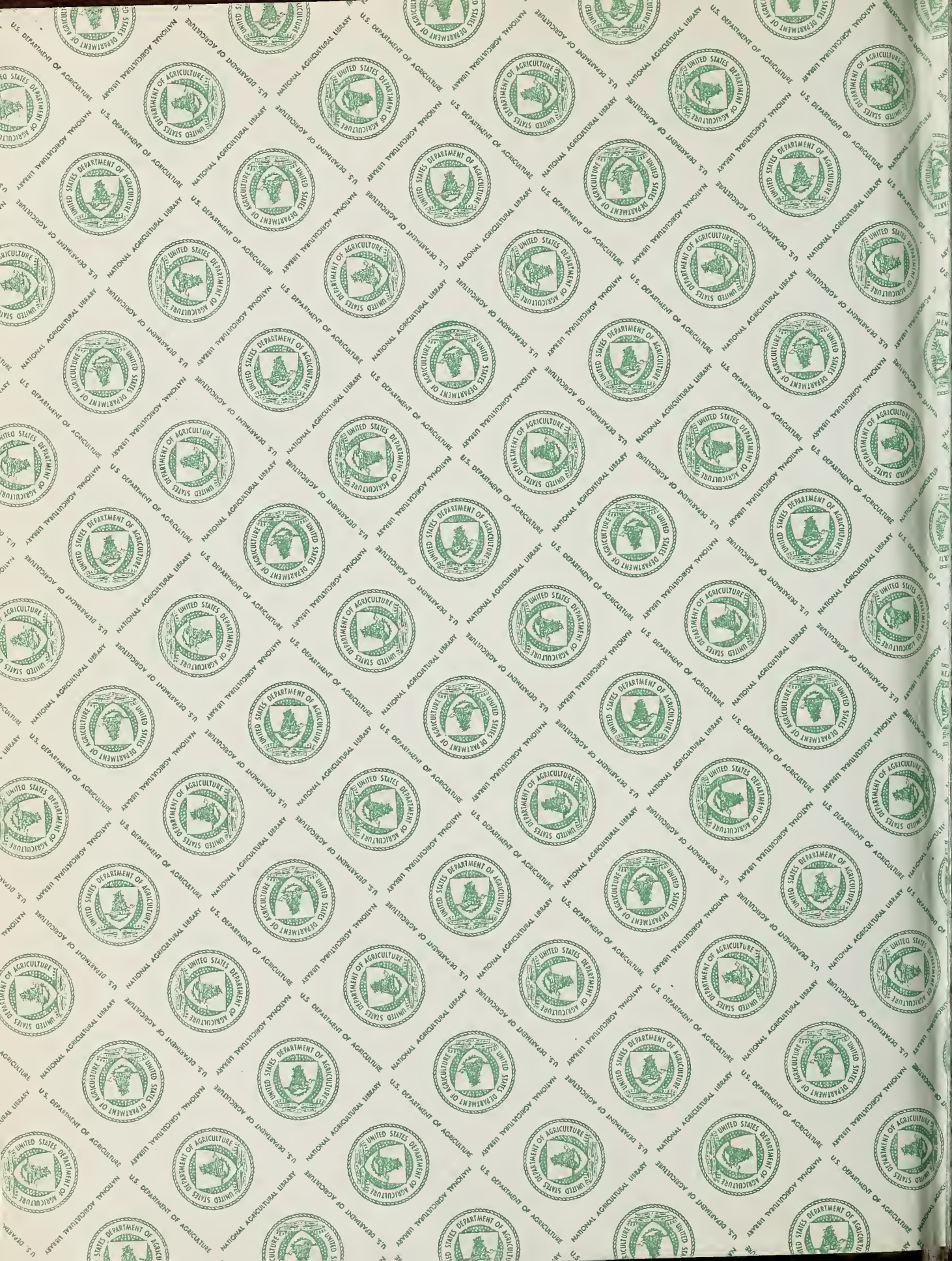
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